



## **U.S. Department of State FY 2000 Country Commercial Guide: Brazil**

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I. EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) presents a comprehensive look at Brazil's commercial environment using economic, political and market analysis.

The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. Embassies throughout the world through the combined efforts of several U.S. government agencies.

The past year has been a tumultuous period for Brazil as the country has had to deal with the aftermath of the Russian devaluation and debt default in August 1998 and was finally forced to undertake a difficult devaluation of its own in January 1999. Nonetheless, with the largest economy and population in Latin America, Brazil presents considerable long term export opportunities, particularly so now that it has begun addressing longstanding structural problems and is currently practicing increased budget stringency. Even so, Brazilian import demand was suppressed by the recession that emerged in 1998 and then plunged following this year's devaluation of the domestic currency, the Real. According to U.S. Customs statistics, the U.S. trade surplus with Brazil was US \$5 billion in 1998, down 20% from 1997. U.S. exports to Brazil fell 4.7% to US\$ 15.2 billion and imports rose 5.1% to US\$ 10.1 billion. Brazil remained the United States' 11th largest export market in 1998. Since 1994, U.S. exports to Brazil have risen almost 90%.

Demand for U.S. imports has been fueled by generally lower tariffs, reduced non-tariff barriers, efforts to modernize Brazil's productive base, and by the strength of the Brazilian currency relative to the dollar prior to the recent devaluation. The "Real Plan" stabilization program launched in mid-1994 succeeded in dramatically reducing chronically high inflation rates and the threat of a return to double-digit inflation in 1999 appears to have receded. The "Real Plan", which featured a new currency (the "Real") initially pegged to the dollar, a degree of budget stringency, and high real interest rates, proved Brazil's most successful stabilization effort in the past 15 years. Nationwide, consumer price inflation was only 2.5% in 1998 compared with nearly 2,500% in the peak inflation year of 1993.

The Real Plan initially created more buying power for many Brazilian consumers due to disappearance of the so-called "inflation tax" which hit the poor hardest and to a 40 percent increase in the minimum wage in 1995. While price stabilization undeniably benefited the poor, lifting an estimated 13 million people above the official poverty line,

Brazil still has one of the most unequal income distributions in the world. A consumption-led boom that began in 1994 due to higher real incomes and improved access to consumer credit, ended in mid-1997.

Following the onset of the Asian financial crisis in mid-1997, Brazil responded by doubling interest rates and passing a tight fiscal package. As a result, growth slowed to only 0.12% for 1998. Spurred by the crisis, the Brazilian Congress approved a long-awaited civil service reform in February 1998. However, lack of progress on other key fiscal reforms left the country vulnerable to the emerging markets crisis that followed the Russian default in August 1998. By September 1998, Brazil again found itself forced to react quickly to a rapidly deteriorating financial situation as capital began to flee the country, expectations of a devaluation rose, and investor confidence evaporated. The government reacted with a series of measures designed to encourage capital inflow including another sharp increase in domestic interest rates. However, by this time, the increased proportion of floating rate debt in the domestic federal debt stock led many to question the government's continuing ability to service its debt.

The government adopted a three-year fiscal stabilization program in November of last year that featured numerical targets for the primary budget result aside from debt servicing costs and negotiated a US\$ 41.5 billion assistance program with the IMF and other lenders. Also, the Brazilian Congress began to make progress on long-delayed fiscal reforms. However, already shaky investor confidence was battered by Congressional defeat of a public pension reform in early December and by a key state governor's declaration of a moratorium in early January on debt service payments to the federal government. As a result, pressure for devaluation grew and reserves plummeted in the first half of January. Brazil lost US\$ 23 billion in reserves from the end of August 1998 to the end of December and over US\$ 8 billion in the first half of January.

In order to prevent an unacceptable loss of reserves, the government first announced a move to a foreign exchange "wide band" on January 13 that effectively devalued the real by over 8%. However, continuing reserve losses persuaded the authorities to end support for the currency on January 15 and to announce a change to a floating rate system as of January 18, 1999. The currency fell swiftly in the initial "overshooting" period but began to stabilize in mid-March with a feared surge in inflation failing to materialize. Even so, Brazil will continue to be vulnerable to economic shocks so long as the work of fiscal adjustment and systemic reform remains incomplete. While the government has been successful thus far in 1999 in its efforts to impose budgetary stringency, implementation of the civil service reform, further social security reform, and tax reform are yet to be realized.

The Government has been emphasizing increased economic opportunities for the private sector through privatization, deregulation, and the removal of impediments to competition. U.S. exporters have been able to expand their sales here and to benefit from new business opportunities that are making Brazil one of the strongest commercial partners of the United States. U.S. companies interested in doing business with Brazil should focus on maximizing long-term partnerships

by establishing local representatives or through joint venture projects with Brazilian companies or international consortium groups.

The complexities of the Brazilian business environment create formidable obstacles for U.S. exporters. Doing business in Brazil can be a challenge and requires intimate knowledge of local regulations and procedures.

Country Commercial Guides and other valuable market reports are available for U.S. exporters from the National Trade Data Bank's CD-ROM or via the Internet. Please contact STAT-USA AT 1-800-STAT-USA for more information. Country Commercial Guides can be accessed via the World Wide Web at <http://www.stat-usa.gov>; [www.state.gov](http://www.state.gov) and [www.mac.doc.gov](http://www.mac.doc.gov). They can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS. U.S. exporters seeking general export information/assistance and country specific commercial information should contact the U.S. Department of Commerce, Trade Information Center, by phone at 1-800-USA-TRAD (E) or by fax at (202) 482-4473".

## II. ECONOMIC TRENDS AND OUTLOOK

### Major Trends and Outlook

World financial turmoil in the past 18 months interrupted the steady progress Brazil had been making in consolidating the stabilization program originally developed by President Fernando Henrique Cardoso when he was Finance Minister (May 1993 - April 1994). On July 1, 1994 a new currency, the "Real", was introduced whose value was initially pegged to the US dollar but which quickly appreciated against the greenback. Following the introduction of the new monetary unit and the dismantling of "indexation" mechanisms which had automatically transmitted price increases throughout the economy, domestic inflation fell abruptly. In 1998, consumer price inflation was under three percent.

However, in the absence of significant progress on needed fiscal reforms, price stability came with a steep price tag in terms of lower economic growth. In particular, Brazil's central bank had to keep real interest rates high to defend an overvalued currency, the so-called "exchange anchor" that was key to the anti-inflation fight, while at the same time attracting sufficient foreign capital to make up for dissaving by the public sector. From 5.9 percent in 1994, real GDP growth declined to 4.2 percent in 1995, 2.8 percent in 1996, and 3.5 percent in 1997. Due to the economic slowdown following the Asian Financial Crisis in late 1997, growth in 1998 was only 0.2 percent. Further economic turmoil followed the Emerging Markets Crisis after the Russian default and devaluation in August 1998 and the economy officially entered into a recession in the second half of the year. The current consensus forecast calls for a drop in real GDP of 1.0 percent in 1999 and a rebound in 2000 to nearly 4 percent growth.

The Brazilian economy is currently performing much better than expected at the beginning of the year as a loss of investor confidence forced the central bank to float the currency in mid-January. The most

pessimistic forecasts were for a 6 percent contraction this year and for inflation in the 30 to 40 percent range. With a new managerial team in place at the central bank, the government raised the overnight rate to 45 percent per annum at the beginning of March and renegotiated a US\$ 41.5 billion foreign assistance package that had originally been agreed upon in late 1998. At the same time, the congress completed work on major pending fiscal reforms by the end of January and the government won approval for an austere budget designed to meet its goals for a primary fiscal surplus equal to 3.1 percent of GDP in 1999.

As greater calm returned to the global capital market and investors reacted positively to progress on fiscal reform, confidence recovered quickly and by April Brazil was able to return to the international sovereign debt market after an absence of a year. News on the inflation front was also positive and a combination of weak demand, ability to engage in import substitution, and customer resistance to price increases, helped keep price increases down well below prior expectations. At midyear, the consensus forecast was for consumer price inflation no higher than eight percent for the year.

Trade performance has been disappointing, however, as export shipments failed to react quickly to the 30 to 40 percent depreciation of the currency in the first half of the year. In fact, most of the improvement to date has been due to a falling import bill and the surplus this year is not expected to exceed US\$ 4 billion. Even so, this would represent a significant turnaround from the US\$ 6 billion deficit the country registered last year. While some services accounts such as tourism are showing an improving trend, higher interest costs this year will keep the current account deficit around US\$ 21 billion, itself a marked improvement over US\$ 35 billion deficit in 1998. On the bright side, foreign direct investment inflows remain strong and the net figure may well equal the current account deficit for the current year.

At present, the principal worry is that Brazil will fail to implement fully already approved fiscal reforms and that its budgetary efforts will slacken. Should these fears materialize, the country will remain vulnerable to external shocks such as occurred in 1997 and 1998. However, the country has undertaken major economic reforms in the past four years in terms of market opening, improving the investment climate, and privatization of public enterprises. With a combination of improved competitiveness and fiscal control, the country could yet attain stable annual growth at the six percent level it requires to provide jobs for its young population.

#### Principal Growth Sectors

The Brazilian Statistical Institute (IBGE) has estimated that the economy grew 0.1 percent in 1998, down significantly from earlier expectations of two percent growth for the year. On a sectoral basis, agriculture grew 0.2 percent and industry contracted 0.9 percent. Within the industrial sector, mining output rose 9.2 percent while manufacturing contracted 3.3 percent. The services sector as a whole grew 0.7 percent. In the services sector, transportation and communications turned in the best performance with 6.9 and 6.3 percent growth, respectively. In contrast, commerce shrank by 3.4%. On a year-over-year basis, the economy contracted one percent in the first

quarter of 1999. Although its weight in total product is relatively low, agricultural growth at 9.2 percent was the prime mover for the economy in the first part of 1999. At the same time, industry contracted by 4.6 percent and service sector output fell by 0.2%.

#### Government Role in the Economy

Under the development policies of previous Brazilian administrations, the government established a tradition of being the dominant force in shaping economic growth by means of planning and management. Its influence was felt not only directly through the day-to-day activities of government entities, but also through governmental wage, price, and credit policies, and subsidy and fiscal incentive programs. While the central government retains an important economic role, the policies of the Cardoso administration have aimed at reducing the government presence in economic activities and concentrating on its role in areas such as public health, safety, and education. The government is emphasizing creating greater economic opportunities for the private sector through privatization, deregulation, and removal of impediments to competition. Thus, the engine of Brazilian economic growth is more and more the private sector.

The petroleum and telecommunications sectors were constitutionally-mandated federal monopolies. In 1995, the Brazilian Congress approved constitutional amendments opening these sectors to private sector participation. In 1996, the Congress passed general implementing regulations to permit foreign investment in the power sector, and a "minimum telecommunications law" allowing private investment in some non-public communications services. Legislation has been approved ending the Petrobras petroleum monopoly and the state-run fixed telephone system was privatized in mid-1998. In addition, the 1995 concession law and subsequent legislation is creating further opportunities for the private sector in purchasing state-owned firms in the power generation and distribution sectors. For more extensive information from the Brazilian bank on privatization, please see the BNDES website [www.bndes.gov.br](http://www.bndes.gov.br)

#### Balance of Payments Situation

Due to market opening, an overvalued exchange rate, and pent-up demand for capital and consumer goods, Brazil's trade position underwent a radical transformation under the Real Plan. The merchandise balance dropped sharply from a surplus of \$10.5 billion as late as 1994 to a deficit of \$3.1 billion in 1995, \$5.5 billion in 1996, \$8.4 billion in 1997, and US\$ 6.3 billion in 1998. Despite earlier hopes that the devaluation would improve export competitiveness and help produce a substantial surplus in 1999, a number of factors have retarded progress from the Brazilian point of view. While a more realistic exchange rate acts as a stimulus to exports, countervailing factors in Brazil's case have included increased economic uncertainty, exchange rate volatility, scarcity of export credit, weak demand in key foreign markets, and the sheer amount of time it takes to merchandise and ship products. As a result, the country's trade balance still registered a deficit of US\$ 500 million as of May 1999, smaller than the comparable figure for 1998 by some 55 percent but still disappointing to many. In fact, both exports (down 16.5 percent) and imports (down 20 percent) fell in the



first four months of 1999, with the drop in the latter accounting for most of the improvement in Brazil's trade position so far this year. The consensus projection for the trade surplus in 1999 is currently US\$ 4.5 billion but some analysts expect as small a surplus as US\$ one billion in view of reviving domestic growth and thus demand.

Brazil ran a US\$ eight billion balance of payments deficit in 1998 as a deteriorating capital account could not offset a growing current account deficit which ended the year at US\$ 35 billion or 4.5 percent of GDP. For the first four months of 1999, the balance of payments was in approximate balance.

The United States ran a trade surplus with Brazil in 1995 for the first time since 1980 at \$3.1 billion. The surplus widened further to \$3.9 billion in 1996 and to \$6.3 billion in 1997 on a U.S. customs basis before falling to US\$ 5 billion in 1998. U.S. merchandise exports to Brazil reached \$15.2 billion last year, a 4.7 percent drop from 1997, while imports from Brazil rose 5.1 percent to US\$ 10.1 billion. Brazil remained our 11th largest export market in 1998. U.S. and Brazilian trade figures correlate closely but diverge for various reasons. For example, in 1998 Brazil recorded a \$3.7 billion trade deficit with the United States, 27 percent less than the U.S. surplus based on U.S. Government figures.

#### Infrastructure

Most products reach Brazil by sea and must pass through Brazil's inefficiently run seaports. Costs are high and turn-around time is long. Port reform legislation, enacted in 1993, has not yet significantly improved port conditions. The Brazilian government has promised to privatize the port system. To complicate matters, the longshoreman's unions are attempting to maintain their current labor monopoly to the point of blockading the factory and (private) port of one company which had hired non-union port workers. Espírito Santo is the only port with privately run berths along the southeastern coast. Costs are lower and turnaround time shorter there.

Internal transportation is primarily by truck. Highways are adequate, but only reach first world standards in the state of São Paulo and the south. Fuel costs are high, and add significantly to the cost of transportation. Rail transportation is limited; however, the entire rail system has now been privatized and the operators have started to upgrade their rolling stock and other equipment. Geographical constraints and environmental concerns have limited river transport development.

Electric power generation is barely adequate, but needed investment in new capacity has been limited by the precarious financial situation of the government. The government has passed implementing regulation and is in the process of privatizing most generation and distribution capacity, as well as allowing for independent power production and co-generation. The Brazilian federal government has created a new independent regulator for the sector. Three state-level companies have already been privatized; another state company has just sold a significant share of its stock to private sector operators; and a majority of other state governments are preparing their electric companies for privatization by the end of 1999.

The government is also restarting work on a number of stalled hydroelectric projects and has plans to install transmission systems linking independent systems within Brazil and linking Brazil to its neighbors and allowing Brazil to buy electricity from them. Nonetheless, there is a risk of power shortages in Brazil's South and Southwest regions due to delays in installation of new generation and transmission capacity.

### III. POLITICAL ENVIRONMENT

#### Nature of Political Relationship with the United States

The United States was the first country to recognize Brazil's independence in 1822 and the two countries have traditionally enjoyed friendly and active relations encompassing a broad political and economic agenda. By many measures -- geographic size, population, and gross economic product -- Brazil is Latin America's dominant country. It has played an important role in international collective security efforts -- from sending an expeditionary force to the Allied campaign in Italy during World War II to dispatching a battalion to Angola as UN Peacekeepers from 1995-1997 and coordinating the Military Observer Mission on the Peru-Ecuador border (MOMEPE). It has also led political efforts for economic integration in the Southern Cone of South America

With the Inauguration of Brazil's internationally oriented, reformist President Fernando Henrique Cardoso on January 1, 1995 and his reelection to a second term in 1998, U.S.-Brazilian contact and cooperation has intensified. This is reflected in the unprecedented number of high-level contacts between the two governments, highlighted by President Cardoso's state visit to Washington in April 1995 and President Clinton's reciprocal visit to Brazil in October 1997. It has also included visits to Brazil by First Lady Hillary Clinton, Secretary of State Albright, Secretary of Defense Cohen, Secretary of Commerce Daley and U.S. Trade Representative Charlene Barshefsky, and many other exchanges between U.S. and Brazilian cabinet and sub-cabinet officials. Apart from trade and finance, important topics of discussion and cooperation have included: United Nations reform and peacekeeping efforts; cooperation on the U.N. Security Council; nonproliferation and arms control; successful efforts to help resolve the Peru-Ecuador border conflict and support for democracy in Paraguay; human rights; counter-narcotics; and environmental issues.

#### Major Political Issues Affecting Business Climate

The Cardoso administration has made stabilization and reform of the economy and modernization of the state its highest priorities. The government's vaunted "Plano Real" stabilization plan dramatically lowered the annual rate of inflation. In 1998 the government passed a major constitutional amendment allowing public administration reforms necessary to consolidate economic stabilization and lay the groundwork for future growth and development in Brazil. Congress had already approved in 1995 constitutional amendments permitting private (including foreign) investment in the sectors of petroleum exploration, coastal and river shipping, telecommunications, and natural gas distribution, formerly reserved to parastatals. In 1996, it passed

patent reform legislation. In 1997, it amended the constitution to permit reelection of the president, governors, and mayors. In 1998, it reformed the Social Security system, passed Civil Service reform and a number of emergency fiscal measures to deal with the economic problems caused by the Asian and Russian crises.

The need for judicial reform is widely recognized because the current system has led to backlogs of cases and shortages of judges. Lawyers often drag out cases in part because they believe it enhances the chances for a favorable decision and because they are paid according to the amount of time they spend on a case. At the appellate court level, a large backlog of cases hinders the courts' ability to ensure fair and expeditious trials. In a press interview, the president of the Federal Supreme Court complained about the volume of appeals that by law the Supreme Court must review. It takes 8 years to reach a definitive decision in the average case, a delay that the Supreme Court president considered unjust. The judiciary is, in many instances, unable to ensure the right to a fair and speedy trial, particularly in rural areas, where the judiciary is less capable and more subject to influence or intimidation by local landowners. In early 1999, a congressional committee of inquiry (CPI) began investigating the issue of judicial reform.

Brazil is a federal republic with 26 states and a Federal District. The federal government is comprised of the executive, legislative, and judicial branches. The system is governed by the 1988 Constitution, which grants broad powers to the federal government. The President may be elected to two four-year terms and appoints his own cabinet. The Congress consists of two houses, the Senate and the Chamber of Deputies. There are 81 Senators, three for each state and the Federal District, and 513 Deputies. Senate terms are for eight years (with elections staggered so that two-thirds of the upper house is up for election at one time and one-third four years later). Chamber terms are for four years, and Deputies are elected statewide. State representation in the Chamber is only loosely proportional. Each state is eligible for a minimum of 8 seats; the largest state delegation (Sao Paulo's) is capped at 70 seats. The net result is a system heavily weighted in favor of the less populated states.

In addition to geographic imbalance, Congress is characterized by a large number of political parties -- 16 in mid-1999. President Cardoso was elected by an alliance of his own center-left Social Democratic Party, the PSDB, and two center-right parties, the Liberal Front Party (PFL) and the Brazilian Labor Party (PTB). Brazil's second largest party, the centrist Brazilian Democratic Movement Party (PMDB), joined Cardoso's governing coalition after the election, as did the center-right PPB, the Brazilian Progressive party, in 1996 after its formation from three smaller conservative parties the previous year. Federal deputies and senators do not always vote with their parties, a consequence of weak internal party discipline. As a result, President Cardoso has had difficulty maintaining sufficient congressional support for many of his legislative priorities, despite the fact that his "coalition" parties hold an overwhelming majority of congressional seats. Among several opposition parties, the left-of-center Workers Party (PT) is the largest.

States are organized like the federal government, with three branches of government. Because of mandatory revenue allocation to states and municipalities provided for in the 1988 Constitution, Brazilian governors and mayors have exercised considerable power since 1989.

Presidential, congressional, and gubernatorial elections took place in October 4, 1998. President Cardoso was re-elected over his main challenger, PT candidate Luiz Inacio Lula da Silva, by a 53-32 percent margin. Municipal elections for the nation's mayors will be held in October 2000. The results of the congressional elections of 1998 left the balance of power in Congress largely unchanged.

#### Orientation of Major Political Parties

The following are Brazil's major political parties, in order of the size of their congressional delegations at the end of 1998 (since it is common for politicians to switch parties, the proportion of congressional seats held by particular parties changes regularly).

PFL	-	Partido da Frente Liberal (center-right)
PSDB	-	Partido da Social Democracia Brasileira (center-left)
PMDB	-	Partido do Movimento Democratico Brasileiro (center)
PT	-	Partido dos Trabalhadores (left)
PPB	-	Partido Progressista Brasileiro (center-right)
PDT	-	Partido Democrático Trabalhista (left)
PTB	-	Partido Trabalhista Brasileiro (center-right)
PSB	-	Partido Socialista Brasileiro (left)
PL	-	Partido Liberal (center-right)
PPS	-	Partido Popular Socialista (left)
PCdoB	-	Partido Comunista do Brasil (left)

#### Section IV. MARKETING U.S. PRODUCTS AND SERVICES

##### Distribution and Sales Channels

All the customary import channels exist in Brazil: agents, distributors, import houses, trading companies, subsidiaries and branches of foreign firms, among others. The typical import transaction is the importation of capital goods or raw materials by an individual firm for its own use. Brazilian import firms generally do not maintain stocks of capital equipment or raw materials. This is partly due to a high level of taxation. Some flexibility in the maintenance of stocks in the country has been opened up by legislation enlarging the operations of bonded warehouses. Implementing regulations are contained in Decree Law No. 71,866, dated February 26, 1973.

##### Use of Agents and Distributors; Finding a Partner

Although some companies import directly from overseas manufacturers without local representation, in most cases the presence of a local agent or distributor is essential to penetrate the Brazilian market.

As in other countries, the selection of an agent requires careful consideration. In Brazil, larger representatives have sales offices in several Brazilian cities to supply companies all over the country, whereas smaller representatives may either supply companies in a limited region or appoint "business opportunity finders" in major Brazilian regions. It is up to the international supplier and the local agent or distributor to negotiate the type of representation that will take place, whether it is an exclusive representation or not and whether or not any performance targets or term limitations will be incorporated.

The ability of an agent to cover the country depends in large part on the item being sold, for example, certain types of sophisticated machinery may have only a dozen or so potential buyers in Brazil, making marketing relatively simple. On the other hand, less expensive equipment with a wide potential market and the need for countrywide service facilities puts much greater organizational demands on a single agent. Geographic and product coverage restrictions can also be incorporated into a distributor or representative contract.

U.S. companies should consult with a local law firm when signing agent or distribution contracts with a Brazilian partner. Commercial distribution contracts are not regulated by specific legislation, only by general Brazilian commercial law, whereas there is specific legislation regulating the relationship between the foreign company and the Brazilian agent. Although the contract clauses are freely negotiated between the U.S. Company and the local agent, there are laws that govern this relationship. The indemnization payable to the agent in case the contract is broken is established by law and is usually very favorable to the agent.

Brazilian income tax is levied on a foreign exporter if the exporter is "present" in Brazil (Article 76 of Law 3470/58). This "presence" is determined basically by two interrelated factors -- the closing of sales contracts in Brazil and the existence of power of attorney granted to an agent or representative in Brazil. The taxable income is estimated at 20 percent of the total price of the product imported into Brazil. A Brazilian tax lawyer best determines the precise applicability of this law to any particular transaction or agent-principal relationship.

Once the agent-principal contract is signed, a Brazilian agent is protected by law from unilateral termination of the contract by the foreign principal without "just cause." The definition of just cause is agent's negligence; agent's breach of contract; acts by the agent damaging to the principal; and conviction of the agent for a criminal offense. Contract stipulations and conditions for termination of agency agreements in Brazil are contained in Articles 27-39 of Law No. 4886, of December 10, 1965.

#### Franchising

The franchise sector is sophisticated and a mature market in Brazil. A good number of franchises are Brazilian in origin and the franchise sector is well organized through its franchise trade association. In order to avoid any possible setbacks in a franchise company's plans for Brazil, and to take best advantage of the Brazilian market, U.S.

franchisers should consider securing a Master-Franchisee with some experience in the areas related to the U.S. company. A qualified Master-Franchisee is able to offer the best advice in terms of tailoring a franchiser's product or concept to the Brazilian market. In-depth knowledge of the local market is essential: all commercial, cultural and legal aspects should be considered before entering the market. In some instances, even a brand name may have to be changed to avoid problems. Finally, a franchiser should first register its brand name in the Brazilian market before selecting a partner. In Brazil franchise consultants call adapting franchise to the Brazilian market, "the tropicalization" of the franchise.

Pay close attention to Article Three of the Franchising Law that states that franchisers - or their master-franchisees - should provide all their potential franchisees with a Franchise Offering Circular (Circular de Oferta de Franquia). This document must contain basic vital, information regarding the economic and financial health of the franchiser, as well as information on any pending legal disputes. Consumer's rights in Brazil should not be a problem for US franchises because of the sophistication of consumer laws in the U.S. Franchisers who are able to understand these trends and adopt themselves for the Brazilian market can be successful in this expanding market.

#### Direct Marketing

U.S. firms exporting to Brazil must be registered with the Secretariat of Foreign Trade (SECEX) of the Ministry of Development, Industry and Commerce (MDIC). (See Appendix E, Brazilian Government Contacts). SECEX plays a central role in the implementation of directives on trade policy.

Once registered with SECEX, companies must apply for an import license to proceed with a planned shipment. The procedure is normally routine, with a license granted within five days. SECEX has a computerized registration system, called "SISCOMEX", for all export transactions.

Effective January 1, 1997, export transactions were included in this system, which enables importers to receive their licenses automatically via modem. SECEX home page is: [www.mict.gov.br](http://www.mict.gov.br)

#### Joint Ventures/Licensing

Establishment of joint ventures is a common practice in Brazil. A major motivation for joint ventures is to pair foreign firms with Brazilian partners to compete in segments of the government procurement market or in other markets subject to government regulation, such as telecommunications, computers and capital goods. Formation of a joint venture can be accomplished through a variety of business entities, the most common of which are "sociedades anônimas" and "limitadas", which are similar to limited partnerships and limited liability companies under U.S. laws.

Licensing agreements are common forms of accessing the Brazilian market. Use of a competent local attorney in structuring such an arrangement is advised. All licensing and technical assistance agreements, including trademark licenses, must be registered with the

Brazilian Industrial Property Institute (INPI). (See Appendix E - Country Government Agencies.)

#### Steps to Establishing an Office

Either setting up a company in Brazil or acquiring an existing entity are options for investing in Brazil. Setting up new companies is relatively easy and inexpensive. Acquisitions of existing companies are monitored by the Central Bank. For further information please contact the Secretariat of Foreign Trade - SECEX or the Consulate in New York City. (See Appendix E, U.S. Contacts.)

Branch offices are difficult to form, whereas corporations (sociedades anonimas) and limited liability companies (limitadas) are relatively easy to form. Capital registration with the Central Bank is required for access to foreign exchange, capital repatriation, and profit remittance.

Brazil's minimal capital requirements are nominal in general, but are significant for the establishment of financial institutions. When selecting the site of an investment, potential local investment incentives should be carefully considered.

For further information, consult the Ministry of External Relations' homepage at <http://www.mre.gov.br>.

#### Selling Factors/Techniques

Sales of industrial products are typically price-driven. However, with the opening of the market to imports in the early nineties, quality has become increasingly more important, particularly for companies seeking to modernize their production methods. After price and quality, delivery and after-sales servicing are the most important factors. Sales of consumer goods tend to be principally affected by brand name rather than price and quality.

Special price discounts are a common sales tool in the industrial and consumer/retail segments. As a rule, most final sale products tend to have substantial markups, thereby allowing for a price reduction when the actual sale takes place.

#### Advertising and Trade Promotion

Advertising in specialized trade and technical publications is an important marketing tool in the Brazilian market. With its well-established and diversified industrial sector, Brazil has a variety of specialized publications that serve the industrial and business communities. U.S. firms wishing to sell in the Brazilian market should not ignore advertising in these trade publications.

Major Brazilian newspapers are: Jornal do Brasil, O Globo, Folha de Sao Paulo, O Estado de Sao Paulo and Gazeta Mercantil; major news magazines are: Veja, Isto É, Época and Exame.

Brazil is home for many well-established and sophisticated advertising agencies, with first-world standards and a high level of creativity.

TV advertising is highly developed and plays an important role in the promotion of consumer goods and food products.

Participation in Brazilian trade fairs is another important marketing tool. The city of São Paulo hosts around 300 trade fairs per year, many of international quality and reputation. The U.S. Department of Commerce participates with a U.S. pavilion in several high quality trade shows in Brazil.

With the opening of the U.S. Commercial Trade Center in São Paulo, U.S. companies may also make use of its facilities for solo events, technical seminars and special meetings. (See Appendix G for USCS Brazil's Trade Events Schedule for 2000/01.)

#### Pricing a Product

With the high inflation rates that prevailed in Brazil for more than two decades, product pricing was an inexact methodology at best. With inflation rates averaging 30% per month, companies usually just added the "expected" monthly inflation rate to the current price. When sales needed to be pushed upward, the method of increasing the price followed by a "discount" was commonly used. Another common pricing strategy is the use of installments for most consumer goods. However, with the implementation of the new currency, the "real", and 1999 monthly inflation averaging less than 1/2 of 1%, pricing methodologies have been reconsidered and revised.

#### Sales Service/Customer Support

Most buyers of industrial goods consider sales service of utmost importance. All large manufacturers offer good after-sales and customer support service. Quality control is also an important factor. Even the small companies have programs to increase quality control and customer service to improve sales.

Since passage of the "Consumer Protection Law" in March 1992, sales of consumer goods now require customer support and after-sales servicing. Also, Brazilian consumers are gradually becoming more aware of the need to demand these services. An increasing number of Brazilian manufacturers of consumer goods, including food processors, now have customer support services, and toll free customer service telephone numbers.

#### Selling to the Government

Brazilian government procurement policies apply to purchases by government entities and by parastatal companies. Government procurement regulations are contained in Law 8666 of August 1993, which establishes an open competitive process for major government procurement. Under Law 8666, price is to be the determining factor in selecting suppliers, i.e. the bid with the lowest price, becomes the provisional winner. Most government procurements are open to international competition, either through direct bidding, consortia or imports. International bidding is required for all procurements with international development bank funding, i.e. the Interamerican Development Bank, the World Bank, etc.



Government procurement of telecommunications equipment and data processing (informatics) equipment is exempted from the above requirements. Special requirements were established in 1993 and 1994 allowing locally manufactured telecommunications and informatics products to receive preferential treatment in government procurement, and to be eligible for tax and other fiscal benefits based on meeting local content and other requirements.

In practice, it is difficult for foreign service firms to operate in the public sector in Brazil unless in association with a local firm. To be considered Brazilian, a firm must have majority Brazilian capital participation and Brazilians -- "operational control." A Brazilian state enterprise is permitted to subcontract services to a foreign firm if domestic expertise is not available for the specific task. A foreign firm may only bid for government contracts to provide technical services when no qualified Brazilian firms exist.

In the case of international bids to supply goods and services or specific government projects, successful bidders are required to have local representation -- i.e., "legal presence" in Brazil. Since the open period for bidding is often as short as one month, it is advisable to have a partner resident in Brazil able to act on tenders as soon as they are announced.

A U.S. supplier may find that inclusion of local purchases of Brazilian goods and services within its bid, or significant subcontract association with a Brazilian firm, will improve the chances for success. Similarly, a financing proposal that includes credit for the purchase of local goods and services for the project will be more attractive.

Advance descriptions of a U.S. suppliers' capabilities can often be influential in gaining a bid contract. These early proposals can be effective even before the exact terms of an investment plan are defined or the project's specifications are completed. Such a proposal should include financing, engineering, and equipment presentations.

#### Protecting your Products from IPR Infringement

Brazil is a signatory to the Paris, Bern, and Universal Copyright conventions on intellectual property rights (IPR) protection. The National Institute of Industrial Property (INPI - [www.inpi.gov.br](http://www.inpi.gov.br)) is the government entity responsible for industrial property rights, and examines requests for patents and registration of trademarks.

In order for an invention to be protected, it must be patented in Brazil. Brazil is a member of the Paris Convention and thus U.S. patent holders have an exclusive right to apply for patents during certain periods: 6 months for industrial designs, and 12 months for inventions and utility models (a new arrangement of known materials which improve a product). A patent holder must use the patent commercially or the patent lapses. Food, medical, chemical-pharmaceutical products or preparations, and microorganisms are patentable. Foreign patent holders have expressed concern about INPI's slow processing of patent applications.

Application for a trademark may be either as a foreign or a Brazilian trademark. A foreign trademark is registered under the terms of the Paris Convention and thus establishes an exclusive priority. Registering your trademark secures protection and enables the trademark to be licensed or transferred in return for a royalty payment. A registration is valid for ten years and is renewable for successive ten-year periods.

Copyrights are protected regardless of whether or not they are registered. Infringement is punishable by imprisonment and civil damages may be awarded. The registration of software prior to marketing is no longer required. However, registration is recommended. Brazil's new software law meets the TRIPS accord framework. It addresses protection of software programs, and modifies definitions of reproduction, publication, transmission, and distribution. This provides protection especially against large distributors of pirated software including producers of hardware and CDs. Nevertheless, there has been some concern with enforcement of videocassettes, sound recordings, books and computer software entering the market.

Companies established in Brazil are now virtually free to negotiate technology transfer contracts. However, contracts still have to be registered with INPI.

Franchising agreements are not subject to the same statutory rules as trademarks, patents and transfer of technology. However, these contracts are subject to review and approval by INPI. It is not mandatory to register a franchising agreement to be valid, but to be executable against third parties it must be registered in accordance with Norm 115/93. If the franchiser is a foreign party, it has to register with the Central Bank in order to remit payments.

(See the Protection of Property Rights section in Chapter VII for additional information on Brazil's IPR regime.)

#### Need for a Local Attorney

Securing competent local legal representation is a fundamental step in establishing a commercial presence in Brazil when intellectual property licensing or protection is involved, or where investments involve local manufacturing or local investment incentives. (See Appendix E, List of Attorneys.)

#### Performing Due Diligence/Checking Bona Fides Of Banks/Agents/Customer

Because laws regulating commercial agreements and commercial transactions vary from country to country, the U.S. Commercial Service strongly encourages all U. S. companies to conduct legal and financial due diligence before completing a commercial transaction or formalizing an agent/representative agreement outside of the U.S. In Brazil, the Commercial Service can provide U.S. companies with lists of well-known and respected credit rating companies and law firms to assist U.S. firms to conduct credit checks on potential customers or to obtain important legal advice before signing commercial agreements. This is especially important in Brazil and especially in the privatization

process or in matters involving government regulations. A significant number of U.S. companies have encountered, over very substantial tax binders that were unexpected in their investments in Brazil as well as in the regular course of doing business. We strongly recommend that any areas of doubt (concerning taxes) be clarified by a written opinion of the Receita Federal in Brazil (see tax section below).

## V. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

### Best Prospects for Non-Agricultural Goods and Services

The following best prospects are ranked by estimated US\$ total U.S. exports over the coming year. (See Appendix H, Guide to Commercial Services, for a list of trade specialists responsible for the following sectors.)

- A. Rank: 1
- B. Name of Sector: Telecommunications
- C. ITA Code: TEL

Comments: The Brazilian telecommunications sector is the largest in Latin America, with an estimated market of US\$ 10 billion in 1999. Pent up demand for basic wireline and cellular service makes Brazil the most attractive market in the region as the ongoing telecommunications privatization process ends in 1999. Brazil's telecommunications sector is among the most progressive with privatization and the introduction of open market competition.

The Brazilian import market for U.S. With the privatization of the sector telecommunications equipment and components in 1998 surpassed US\$ 2 billion. in 1999, the total Brazilian market is expected to burgeon to US\$ 10 billion. The U.S. holds the lion's share of the import market with 45 percent of all imports. Japan has 20 percent, Germany 15 percent and France 10 percent.

Investment in the telecommunications sector in Brazil is expected to reach US\$ 75 billion during the period of 1995 - 2003. In 1999, investments are expected to reach US\$ 10 billion and US\$ 11.2 billion in 2000.

From 1946 until 1995, the telecommunications sector in Brazil operated under the aegis of the Brazilian Government. During this period, the government held a monopoly in local, long-distance and international telecommunications. However, on August 15, 1995, the Brazilian Congress voted to end the state telecom monopoly in Brazil, through the approval of Constitutional Amendment nº8, which authorized the entry of private, domestic and foreign investment into the Brazilian telecommunications sector.

The General Telecommunications Law, which ended the state monopoly and altered the government's role from supplier to regulator of services, changed the Brazilian telecommunications scenario drastically. The General Telecommunications Law also defined the basic organization of telecom services and determined the conditions for the privatization of the Telebrás system.

In addition, in October 1997 the General Telecommunications Law, through a presidential decree, established a regulatory agency, as required by the law, The National Telecommunications Agency (ANATEL). ANATEL represents an important step towards telecom liberalization in Brazil as an independent regulatory agency. ANATEL is responsible for creating and enforcing telecom service regulations, as well as resolving disputes in the administrative arena. It is also ANATEL's responsibility to decide, as a last administrative recourse, on matters under its jurisdiction (There can be no appeal against the Agency's decision to the Ministry of Communications, it must go through the Brazilian judicial system.) ANATEL's tasks are: define and change rules for telecommunications services; manage and monitor radio frequency spectrum and telecom satellite orbits; grant concessions for public service providers; grant authorizations for private service providers; monitor prices and tariffs; conduct bidding processes; verify the execution of concession contract terms; vote on disputes involving economic entities and users; and ensure competition among operators and service providers.

The ongoing telecommunications privatization process:

On January 30, 1998, each of the 27 state-level telephone companies which make up the Telebrás system were divided into two companies-- a cellular company and a wireline telephone company. Each company's general assembly voted to create a new cellular company from the existing company as the next step in the privatization of the entire Telebrás system in July 1998.

The GOB has combined the wireline telephone companies into three regional holding companies.

Tele SP:	Telesp, CTBC
Tele North-Northeast-East:	Teleceará, Telemig, Telergipe, Telasa, Telma, Telpa, Teleaima, Telpe, Teleamapá, Teleamazon, Telest, Telern, Telerj;, Telepará, Telepisa, Telerj, Telebahia
Tele Center-South:	Telesc, Telebrasília, Telems, CMTR, Telegoiás, Telemat, Teleacre,
Teleron;	Telepar

#### The New Brazilian Telecommunications System

The GOB created twelve companies out of TELEBRAS and sold nineteen percent of the shares it held in these companies to private investors. These shares represented the controlling interest in the companies sold. Below is a list of what was sold and who bought the companies:

EMBRATEL (long-distance call carrier) - purchased by MCI for US\$ 2.3 billion; Bell South, Sprint (which wanted EMBRATEL and drove the bidding to a voice bid), Air Touch, and Southwestern Bell participated unsuccessfully in the bidding. MCI VP Jerry de Martino attested that

the company intends to invest US\$ 1 billion annually in EMBRATEL and to reduce rates by 4-5 percent annually until 2005. Investments would be mostly in fiber optics, satellite services, and public telephones. In 1996, EMBRATEL's net profits reached US\$ 405 million, a record in its 32 years of operation, and net revenues totaled US\$ 1.7 billion. De Martino also stated that this is the largest MCI investment outside the United States.

TELESP (Sao Paulo fixed line company) - purchased by Telefonica de Espana, Iberdrola, Bilbao Vizcaya Bank, RBS (one of the largest media-telecommunications company in Brazil) and Portugal Telecom for US\$ 5 billion;

TELE CENTRO SUL (fixed line - fixed line companies of the following states: Parana, Santa Catarina, Mato Grosso do Sul, Mato Grosso, Goias, Distrito Federal, Tocantins, Rondonia and Acre) - purchased by Telecom Italia and the Brazilian investment bank Opportunity for US\$ 1.8 billion;

TELE NORTE LESTE (includes fixed line Telecommunication Company of the state of Rio de Janeiro, (TELERJ), plus the state companies of Minas Gerais, Espirito Santo, Bahia, Amazonas, Para, Roraima and Amapa). Tele Norte Leste was purchased by Andrade Gutierrez (one of the largest civil construction companies in Brazil), La Fonte Alianca do Brasil, Inepar (an important business group from southern Brazil, Brazilian partners of Motorola's Iridium project), Brasil Veiculos and Macal. The purchase price was US\$ 3 billion. This is an all Brazilian consortium;

TELESP CELULAR (State of Sao Paulo Cellular Company) - purchased by Portugal Telecom for US\$ 3.1 billion;

TELE SUDESTE CELULAR (including cellular companies of Rio de Janeiro and Espirito Santo) - purchased by Telefonica de Espana, Iberdrola, NTT Mobile and Itochu Corp. for US\$ 1.2 billion;

TELEMIG CELULAR (Minas Gerais' cellular company) - purchased by the Canadian Telesystem International, Brazilian investment bank Opportunity and pension funds for US\$ 655 million;

TELE CELULAR SUL (cellular companies of Rio Grande do Sul, Parana and Santa Catarina) - purchased by Globo Organizations (the most powerful media group in Brazil, owners of O Globo newspaper and TV Globo), Bradesco (the largest Brazilian commercial bank) and Telecom Italia for US\$ 606 million;

TELE NORTE CELULAR (includes cellular companies of Amazonas, Para, Roraima, Amapa, and Maranhao) - purchased by the Canadian Telesystem International, the Brazilian investments bank Opportunity and pension funds for US\$ 163 million;

TELE CENTRO OESTE CELULAR (cellular companies of Mato Grosso do Sul, Mato Grosso, Distrito Federal, Goias, Tocantins, Rondonia and Acre) - purchased by Splice do Brasil (one of the largest telecommunications equipment manufacturers in Brazil) for US\$ 384 million;

TELE LESTE CELULAR (Bahia and Sergipe cellular companies) - purchased by Telefonica de Espana and Iberdrola for US\$ 370 million;

TELE NORDESTE CELULAR (cellular companies of six northeast states) - purchased by Globo Organizations, Bradesco and Telecom Italia for US\$ 577 million.

(The purchase prices were converted from Brazilian Reais at an exchange rate of US\$ 1 to R\$ 1.15).

Groups from Spain and Portugal bought 4 of the 12 companies for a total of US\$ 9.4 billion. Telefonica de Espana, Iberdrola, Bilbao Vizcaya Bank, and Portugal Telecom are the main players. The Spanish group bought the biggest company for sale, the Telecommunications Company of the State of Sao Paulo (TELESP), while Portugal Telecom purchased TELESP Cellular. The Iberians thus dominate the prized Sao Paulo market, although they face competition on the cellular side from Bell South, which last year purchased the right to offer cellular services in Band B. The Iberdrola Group is already present in other infrastructure sectors of the Brazilian economy. It has participation in the newly privatized gas and electricity companies (the Gas Company of Rio de Janeiro, CEG, and the Energy Company of Bahia, COELBA).

GOB officials expect to earn about US\$6 billion from the sale of concessions for the so-called fixed-line "mirror" companies. These companies will be set up to compete against each of the 3 privatized, fixed-line companies and EMBRATEL, the long-distance provider.

On January 21, 1999 Sprint International signed a US\$55 million contract (with the Bonari Consortium) to buy the long distance carrier mirror company. Also, on May 5, 1999 the consortium Megatel and Conbras (SLI Wireless, Qualcomm, Bell Canada, and WLL) signed a US\$ 42.5 million for the concession of Telesp the State of São Paulo's telecommunications company, Brazil's largest single telephone company outside of EMBRATEL. The tender for the remaining two regions should be submitting their proposals by the end of June 1999.

	1997	1998*	1999*
		(US\$ millions)	
D. Total Market	8,713	10,370	11,090
E. Local Production Equip	3,400	3,530	3,600
F. Local Production Serv	3,500	3,665	3,710
G. Total Exports	197	275	340
H. Total Imports	2,010	3,450	4,120
I. Total Import from U.S.	823	1,100	1,500

Exchange Rate: US\$ 1.00 = R\$ 1.14 (June 1998)

\* The above statistics are unofficial estimates.

Source: ABINEE, Associacao Brasileira da Industria Eletrica e Eletronica

Rank: 2

Name of Sector: Oil and Gas Field Machinery and Services

ITA Code: OGM

Comments: The oil industry in Brazil is rapidly changing because of a new petroleum law, and because of the Brazilian Petroleum Regulatory Agency (ANP)'s role in expanding the presence of major international oil companies. Until recently a very restricted business, the petroleum sector in continental-size Brazil has rapidly evolved into a much more competitive environment. ANP is exercising its role to guarantee a level playing field, and continues to de-regulate up- and downstream petroleum sector activities. Recent focus has been on downstream fraud prevention on the part of the numerous new distributors, which have made considerable headway in diverting market share from the larger, more global firms. The Brazilian market for oil and gas machinery and equipment is estimated at US\$ 5,037 million in 1998, of which over US\$ 1.400 million (28%) is represented by imports. With the removal of barriers to trade and investment in this sector, the market is expected to grow at an average yearly rate of 15% and imports by 20% over the next five years. PETROBRÁS, the large Government-owned oil company is expected to remain the principal player in the Brazilian petroleum scene for years to come, notwithstanding the presence of noted U.S. and foreign oil sector enterprises. Newly elected PETROBRÁS board members have disclosed that the parastatal will hereafter become increasingly focused on its core business: offshore oil production. Consequently, in the medium term PETROBRÁS can be expected to sell off part of its assets deemed non-essential to its operations, such as oil refineries and petrochemical complexes. Moreover, it is also known to be reviewing its role in the production of natural gas. As can be seen from the above, with market liberalization taking place, the Brazilian petroleum sector is offering very significant sales and investment opportunities for U.S. businesses. In addition to the possibility of independent investment in up- and downstream petroleum projects, over 35 large U.S. companies are to sign billion-dollar joint venture agreements with PETROBRÁS, predominantly in offshore Exploration and Production (E&P) ventures. These agreements, however, are currently stalled due to a restrictive fiscal environment, which is currently under negotiation among the Brazilian Petroleum Regulatory Agency (ANP), the industry and the Brazilian Government Finance Ministry (Receita Federal).

Subsector best prospects:	(US\$ millions)
Offshore petroleum exploration services -	1,200
Offshore production equipment -	700
Onshore exploration services -	300

	1998	*1999	*2000
	(US\$ millions)		
Total market	5,037	5,792	6,660
Local production	3,467	3,924	4,437
Exports	130	140	150
Imports	1,440	1,728	2,073
Imports from the U.S.	850	1,250	1,492

\* Statistical data are unofficial estimates

Source: PETROBRÁS/Brazilian trade and industry analysts

A. Rank: 3

B. Name of Sector: Sporting Goods and Recreational Equipment

## C. ITA Code: SPT

Comments: The Brazilian market for sporting goods reached an estimated US\$4.1 billion in 1998, up 10 % from the US\$3.5 billion market size in 1997. Market growth should continue through 1999 due to economic stability, increased health consciousness, increased per capita income.

U.S. sporting goods products enjoy a strong level of acceptance because Brazilians tend to emulate the American lifestyle. U.S. products usually offer higher quality than local competitors. Imports constitute almost 70% of this market. Strong competition exists in many segments from lower cost Asian (Korean and Taiwanese) imports. Fishing equipment, for example, face strong competition from illegal imports from Paraguay.

The major end-users of sporting goods equipment in Brazil are individuals who exercise at home, at sports clubs and at an increasing number of exercise centers. There are around 10,000 exercise centers in Brazil, including 1,500 in Sao Paulo City. A strong retail sales network exists to support individual demand through large sporting goods chains located at shopping centers, neighborhood sports shops, and sales through the recreational section of large supermarket chains.

Import duties range from 23-25% for products such as fitness equipment, jet skis, and boats. Hunting and fishing equipment require government licenses prior to import into Brazil. Best prospects for U.S. exports of sports equipment to Brazil include bicycles, especially mountain bikes and accessories; fitness equipment; pleasure boats; fishing equipment; and surf gear.

(US\$ millions)	1997	1998	1999
D. Total Market Size	3,500	4,100	4,500
E. Total Local Production	1,052	1,222	1,302
F. Total Exports	2	2	2
G. Total Imports	2,450	2,880	3,200
H. Total Imports from U.S.	850	1,000	1,100

Statistics are unofficial estimates.

Exchange Rate: US\$ 1.00 = R\$ 1.65 (May 1999)

Sources: Trade associations, publications and trade contacts.

Rank: 4

Name of Sector: Medical Equipment and Devices

Code: MED

The Brazilian market for medical devices and equipment in 1998 of US\$ 3.4 billion grew 9.4%, over 1997. Annual 10% growth rate should continue through 2001, according to market sources. Total medical equipment sales in Brazil are approximately 60 % to the public sector and 40% to the private health sector. The United States holds almost one-half of the Brazilian import market for medical equipment with US\$ 559 million shipped in 1998, followed by Germany with 25% and Japan with 15% of the market.

Brazil's economic slowdown in 1999 affected government investment plans for public hospitals. To combat the increased cost of imported equipment and supplies the government lowered import duties on 42



products in March 1999. The continued expansion of the private healthcare sector provides the strongest performance and greatest potential for U.S. exporters, particularly for more advanced medical equipment, disposables, diagnostic devices, implants and components. Approximately 41 million Brazilians are covered by private healthcare (26% of the population), a system with US\$ 9.4 billion in funding and employing approximately 700,000 people (277, 000 doctors). The remaining 74% of the population still depend on the public system. The new law regulating the private health plans sector, signed by President Cardoso in June 1998, is giving even further impetus to the private health sector in Brazil, stimulating the construction of new hospitals and clinics in larger communities around the country. Due to Brazil's economic recovery, a large number of Brazilians still dependent on the public system should be opting for the private system in the future, according to market analysts.

The \$20 billion budget recently announced by the Brazilian Ministry of Health for the 1999-2000 period (through SUS/INAMPS - National Institute for Medical Assistance and Social Security) has changed little from that of 1997-1998, and still considered insufficient by hospital administrators and market analysts. Government expenses per person with under government support rose from US\$ 100 in 1996 to approximately US\$ 247 in 1998, and in this same period, the Brazilian population increased by 17%. The Brazilian Ministry of Health has announced plans to concentrate investments in basic medicare (through clinics), particularly for the poorer population, and remodel the existing 2,138 public hospitals. The government plans to invest US\$ 900 million on its hospital infrastructure in the next two years, using mostly World Bank and Inter-American Development loans for the REFORSUS - SUS Reformulation Project. Another US\$ 150 million from the Brazilian government will be used for emergency repairs, mainly in maternity units.

The import duties for medical equipment and devices vary from 0 - 20%, with a large number of products listed in the 16% import tax bracket, in addition to other taxes. Medical equipment of MERCOSUL origin is traded duty free among the members of the South Cone Common Market (Brazil, Argentina, Paraguay and Uruguay).

A FDA-like agency now being created by the Brazilian government, (ANVS - National Health Vigilance Agency) promises to ease the traditionally arduous compulsory product registration process. All medical products must be registered prior to import into Brazil, and a Brazilian based company (a subsidiary or a local agent/distributor) must administer this registration on behalf of the U.S. exporter. This has traditionally been a lengthy and detailed process, and companies should seek the assistance of a local attorney before formalizing any negotiation with their potential agent/distributor in Brazil, particularly concerning contractual details.

Best prospects for US exports to Brazil include: Anesthetics, Cardiac catheters, Automated blood cell counters and analyzers, Auto-scanners, Diagnostic System, Automatic positioning beds (electric), Blood equipment, Cardiac pacemakers, Dental restoration materials, Electrosurgical and electro-therapy apparatus, Endoscopic devices, Enzyme immunoassay systems, HPLC Imaging equipment, Laser treatment for dentistry, Magnetic resonance tomographers, X-ray equipment and parts,

Ophthalmic instruments, Surgical instruments, Ultrasonic scanning devices, Visible and UV Light, Spectofluorometers, Orthopedics products.

(US\$ Millions)	1998	1999	2000
A. Market Size	3,400	3,731	4,087
B. Local Production	2,250	2,430	2,595
C. Exports	150	167	172
D. Imports	1,300	1,468	1,664
E. Imports from the US	559	616	682

\* Statistical data are unofficial estimates  
 Source: Brazilian trade and industry analysts  
 Exchange Rate: US\$ 1.00 = R\$ 1.65 (May 1999)

- A. Rank: 5
- B. Name of Sector: Automotive Parts and Service Equipment
- C. ITA Code: APS

Comments: Brazil's autoparts total sales market in 1998 was US\$ 14.5 billion, a drop of 17% compared to the previous year. Imports decreased from US\$ 4.4 billion in 1997 to US\$ 4.1 billion in 1998 because of reduced production of automobiles from 2,069,703 units in 1997 to 1,573,128 units in 1998. According to the Brazilian Association of Automobile Manufacturers (ANFAVEA), production of automobiles in the first quarter of 1999 reached 404,800 units, a drop of 27% compared to the same period last year in view of the high prevailing interest rates. Depressed automobile production in 1998 and 1999 was a result of the global financial crisis which began in October 1997, and led the Brazilian Government to impose a series of economic measures such as increased internal taxes, import taxes and interest rates which reduced the domestic demand during the first half of 1998. The international financial crisis of the second half of 1998 and the fear of unemployment led Brazilian consumers to postpone purchases. The performance of Brazilian automotive industry in 1999 will depend greatly on negotiations between the Brazilian Government and the OEMs to reduce taxes and a fleet renewal program which could stimulate a recovery of sales.

Imports of auto parts were US\$ 4.2 billion in 1998, a 5% drop compared to 1997. According to the the Brazilian Association of Auto parts Manufacturers, imports of auto parts should drop to US\$ 3.5 billion in 1999 because of the devaluation of the Brazilian currency in January 1999 which resulted in higher prices for imported products. In order to reduce costs, the automobile manufacturers in Brazil confirmed their intention to replace imported auto parts with locally manufactured products. Major international exporters of auto parts to Brazil are Germany with 18.0% of the import market, Argentina with 16.2%, Italy 15.5% and the United States with 14.1%.

Despite this two-year decline, the automotive sector in Brazil is expanding substantially. By the end of the year 2000 a large number of automobile manufacturers will have built new plants in Brazil to produce for the domestic and export market. Current producers include Fiat, Ford, GM, Volkswagen, Honda and Chrysler. By the end of 1999,

Audi, Renault, Toyota and Mercedes Benz will have started production. The expansion of the automobile industry is attracting a large number of international auto parts producers to establish manufacturing facilities near the new automobile plants.

Leading best prospects for U.S. exporters include:

Subassemblies and accessories for tractors and automotive vehicles;  
 Spark ignition and internal combustion engines;  
 Gearboxes for automotive vehicles;  
 Other subassemblies and parts for explosion engines;  
 Cylinder blocks, valve heads and crankcases for explosion engines;  
 Other brakes and its subassemblies for tractors and automotive vehicles;  
 Soft vulcanized rubber joints and gaskets;  
 Subassemblies and accessories for vehicle bodies;  
 Vehicle ignition keys;  
 Subassemblies and engine parts

(US\$ millions)	1997	1998	1999*
D. Market Size	16,500	14,467	9,500
E. Local Production	16,100	14,500	10,500
F. Exports	4,000	4,186	4,500
G. Imports	4,400	4,153	3,500
H. Imports from the U.S.	594	581	490

\* Statistics are unofficial estimates.

Exchange Rate: US\$ 1.00 = R\$ 1.65 (May 1999)

Source: Sindipeças, National Association of Auto parts Industries, ANFAVEA

- A. Rank: 6
- B. Name of Sector: Drugs/Pharmaceuticals
- C. ITA CODE: DRG

In 1998, Brazil's pharmaceutical market reached sales of US\$ 10.3 billion, as compared to US\$ 12.73 in 1997. Industry sources estimate that 1999 sector sales will meet 1998's level, which is very positive since Brazil's GDP for 1999 is expected to be lower than 1998.

Despite the estimated 15 million new consumers that entered the market, consumption of medicament units declined from 1,765 units in 1996 to 1,641 in 1998. This reduction is due to the price increases for medicine in general. Today, the Brazilian consumer demands good quality products at competitive prices. Total sales in 1998 were 5.3% lower than 1997 and 9.5% lower than 1996.

Although total sales are down, imports are up since foreign products are taking an ever large share of the market. According to the Brazilian Association of Pharmaceuticals Industry (ABIFARMA), total Brazilian imports of pharmaceutical products in 1998 was US\$ 1.25 billion an increase of 15% as compared to 1997. Of that total, nearly

US\$ 171 million in products was imported from the U.S, Brazil's largest international supplier.

Brazil is the largest market in Latin America and represents 67% of the MERCOSUL market, as shown in the following table:

Argentina	30%
Brazil	67%
Paraguay	1%
Uruguay	3%

Source: World Review

The value of the Brazilian market is almost two times that of Argentina, which is the second in the Latin American market. Of particular notes, Latin America constitutes the fastest growing pharmaceutical market in the world. Of the four MERCOSUL countries, Brazil is arguably the preferred country for investment in the sector. In 1998, Brazil was the 6th biggest market for pharmaceutical products in the world, representing 3% of the total sales worldwide.

The Brazilian market is composed, basically, of generics and brand products. In 1996 (latest statistics), original and licensed brands had a market share of about 58% whereas generics and "other" brands shared about 42%. The generic market is expected to increase substantially in 1999, as a result of the new Generic Law, approved by the Brazilian Senate in early 1999. The Over-the-Counter - OTC market is also growing in Brazil, since medicines can not be sold in supermarkets.

In Brazil, health insurance companies do not reimburse patients for medicines purchased outside hospitals. Like most countries in Latin America, over 80% of drug expenses are paid by private means. The average per capita consumption of pharmaceuticals in Brazil is US\$ 61 according to current data from the Pan American Health Organization (PAHO). However, this kind of data does not track the purchasing trends of the population nor does it describe how the consumer purchases pharmaceutical products.

Certainly, one of the most problematic areas of the pharmaceutical sector in Brazil is the lack of access most members of the population have to essential drugs. Estimates vary among sources, and from 40% to 50% of the population have limited or no access to needed pharmaceutical drugs.

According to Brazilian legislation, the production, manufacturing, imports, exports and sales of any medical products, pharmaceuticals and cosmetics can only be handled by authorized companies, that are registered with the National Agency for Sanitary Health - ANVS, an agency of the Brazilian Ministry of Health. This is the Brazilian counterpart of the U.S. Food and Drug Administration (for more information on registration procedures, please, refer to Section D - Market Access).

The Brazilian market is composed, basically of:

Laboratories	400
Drugstores	45,000

Hospitals	5,000
Agents/Distributors	1,000
Doctors	150,000
Products	5,200
Direct Employees	47,100
Indirect Employees	250,000

Statistical Data  
(US\$ millions)

	1997	1998	1999*
D. Total Market Size	12,7	10,3	11,0
E. Local Production	11,6	9,5	10,0
F. Imports	1,2	1,0	1,3
G. Exports	100	200	300
H. Imports from the U.S.	200	200	200

\*The above statistics are unofficial estimates.

Sources: SECEX - Brazilian Government Statistics and ABIFARMA-

Brazilian Association of Pharmaceutical Industries

Average Exchange Rate in 1998: R\$ 1.00 = US\$ 1.15

A. Rank: 7

B. Name of Sector: Pollution Control Equipment and Services

C. ITA Code: POL

Environmental experts estimate that sales in Brazil's environmental technologies market reached an estimated US\$ 2 billion in 1998, a 10% increase over 1997, including equipment, engineering and consulting services and instrumentation associated with pollution control and cleanup projects. The most important environmental subsectors (in descending order) are: water and wastewater treatment (approximately 60% of the total market), solid waste treatment (domestic, industrial and hazardous) and air pollution control. Basic sanitation demand is estimated around US\$ 35 billion.

Best prospects for U.S. environmental products and services include: Environmental engineering and consulting services; Management and operation of water and wastewater treatment stations; Equipment and technology for water/wastewater treatment stations, general pollution projects/installations, etc.; Solid waste management technologies: domestic garbage, sludge, co-processing, incineration, recycling, etc.; Clean technologies; Soil recovery technologies; Automation and monitoring systems for water and wastewater treatment plants.

Brazil's environmental market consists of public water companies and manufacturers, particularly large and export-oriented companies, implementing ISO 14000 environmental quality norms. Smaller and medium-sized companies are also beginning to consider environmental solutions in anticipation of new regulations. The Brazilian government passed an Environmental Law in February 1998, increasing responsibilities and penalties for environmental crimes. By 2000 a new law regarding water collection taxes and limits to contaminants in wastewater will be passed and water prices will increase significantly. As a result, demand for water reuse and technologies for water and wastewater treatment will increase over the next two years.

Brazilian firms supply 85% of the environmental equipment and services, with United States contributing 30% of the foreign participation in Brazil, followed by Germany, France, Canada and Japan.

The Brazilian market for solid waste equipment and services is just beginning to be established with participation by several Brazilian and foreign companies. Engineering and consulting companies, distributors of foreign equipment and local established equipment manufacturers supply this US\$ 500 million market. Brazilian solid waste is mainly comprised of organic material (65%), plastic (3%), paper, corrugated cardboard and newspaper (25%), metal (4%) and glass (3%).

(US\$ millions)	1997	1998*	1999*
D. Market Size	1,663	1,250	1,400
E. Local Production	1,530	1,050	1,150
F. Exports	137	140	160
G. Imports	270	350	400
H. Imports from the U.S.	81	100	130

\* Statistics are unofficial estimates.

Exchange Rate: US\$ 1.00 = R\$ 1.7 (April 1998)

Sources: Revista da Industria - FIESP, Federation of Industries of the State of São Paulo, Revista Quimica e Derivados, Journal Gazeta Mercantil, Revista Saneamento Ambiental, Brazilian environmental consulting firms and DESAM, Environmental Department of the Brazilian Association of Machinery Industry.

A. Rank: 8

B. Name of Sector: Security and Safety Equipment

C. ITA Code: SEC

Comments: The Brazilian market for security and safety equipment is approximately US\$ 700 million, consisting of a US\$ 500 million market for safety products and a US\$ 200 million market for security equipment.

The large market for safety products is due to the high level of workplace accidents, estimated at 430,000 cases per year. However, this market is almost entirely supplied by local manufacturers.

U.S. firms will find better opportunities in the security sector, where foreign products supply about 80% of the market. Crime rates have been increasing dramatically in large cities. According to a recent statistics released by the Secretary of Public Security of the State of Sao Paulo, the number of robberies registered in the State of Sao Paulo during the first quarter of 1999 was 52,360, 20% higher compared to the same period in 1998. Security awareness is higher in large cities, and about 2.5 million homes are equipped with some kind of security device to prevent robberies. Local trade contacts estimate that the market for security products will grow at an average rate of 25% per year over the next four years.

Best prospects for U.S. exporters are access control systems, burglar alarms, closed-circuit TV systems, and residential security devices.

Market statistics for security equipment.

(US\$ millions)	1997	1998	1999
D. Total Market Size	150	200	250
E. Total Local Production	37	40	50
F. Total Exports	7	10	11
G. Total Imports	120	170	211
H Imports from U.S.	60	85	105

The above statistics are unofficial estimates.

Exchange Rate: US\$ 1.00 = R\$ 1.65 (May 1999)

Sources: Secretaria de Comercio Exterior (SECEX), ANIMASEG - National Association of Manufacturers of Safety Products, ABRASEG, Brazilian Association of Agents, Retailers and Distributors of Security Equipment; ABESE - Brazilian Association of Electronic Security Dealers.

Market statistics for safety equipment.

(US\$ millions)	1997	1998	1999
D. Total Market Size	450	500	525
E. Total Local Production	430	475	500
F. Total Exports	10	10	11
G. Total Imports	30	35	36
H. Imports from the U.S.	15	17	18

The above statistics are unofficial estimates.

Exchange Rate: US\$ 1.00 = R\$ 1.65 (May 1999)

Sources: Secretaria de Comercio Exterior (SECEX), trade associations, publications and industry contacts.

A. Rank: 9

B. Name of Sector: Building Products

C. ITA Code: BLD

Comments: In 1998, building products sales in Brazil were approximately US\$ 22 billion, an increase of 8.5% over 1997. Despite recent economic turbulence in Brazil that resulted in currency devaluation and a significant slowdown of industrial activities in several sectors, the building products sector was one of the least affected. Preliminary data for the first quarter of 1999 collected by the Brazilian Association of Construction Materials Retailers (ANAMACO), indicated that sales levels during the period were similar to the same period in 1998.

Local trade contacts expect that the market will increase about 8% in 1999. The "Do-It-Yourself" market, although still small, is a new segment in Brazil that has been experiencing fast growth. This could be observed in this segment's trade show, "Bricollage", that received 80,000 visitors in 1998, six times more than in 1997.

The Brazilian market for building products is largely supplied by local firms that have a solid presence throughout the country. Imports of

building products started a few years ago and represent only 1.3% of the market. However, the import share of the market is expanding at a faster pace than the total market growth, as consumers become more demanding and appreciate the higher quality of products available internationally. Imports from the United States in 1998 were approximately US\$ 80 million, equivalent to 27% of the import market.

The construction method in Brazil relies heavily on inexpensive and abundant manual labor, with predominant use of brick and concrete. Pre-manufactured products remain scarce and approximately 30% of the materials are wasted at the construction job sites. One of the major difficulties faced by U.S. manufacturers of building products is the lack of standard measurements in Brazil. However, an interest in standardization and more efficient ways of construction is expanding quickly among contractors and building products manufacturers. It should not be long until the market becomes more advantageous to suppliers of pre-manufactured products.

Best prospects for U.S. exporters include electrical outlets, bathroom fixtures, flooring and floor coverings, insulation and waterproofing products, and builder tools and instruments. The market for building products designed to match traditional wood-framed U.S. houses is almost non-existent in Brazil. U.S. manufacturers of such products need to make considerable investments and to introduce their product in the market to gain consumer acceptance.

(In US\$ million)	1997	1998	1999
D. Total Market Size	24,382	22,000	23,760
E. Total Local Production	24,840	22,500	24,290
F. Total Exports	660	800	860
G. Total Imports	202	300	330
H. Imports from the U.S.	68	80	90

The above statistics are unofficial estimates.

Exchange Rate: US\$ 1.00 = R\$ 1.65 (May 1998)

Sources: Secretaria de Comercio Exterior (SECEX), Brazilian Association of Building Products Retailers (ANAMACO), Association of the Construction Industry (SINDUSCON), and other industry sources.

A. Rank: 10

B. Name of Sector: Mining Equipment

C. ITA Code: MIN

Comments: The Brazilian market for mining equipment is one of the largest in the world. Brazil is a major producer of several minerals, especially iron ore, gold, bauxite, kaolin, manganese and niobium. The mineral potential of the country has not been fully assessed and ongoing geological surveys may still find significant deposits. There are also many well-known deposits that are not being currently exploited, but that could be developed in the future if world market prices increase.

Most of the mining activities in Brazil are open pit. The local market for underground mining equipment is relatively small when compared to the market for open pit mining. In the long term (three to seven years), however, there will be a trend to increase the number of



underground mines. The largest installed mining operations are for iron ore. The total output of processed ore in 1998 was 190 million metric tons.

CVRD, Companhia Vale do Rio Doce, the largest Brazilian mining company, is responsible for nearly 23 percent of the mineral output of this country, in terms of value. CVRD was privatized in May 1997, and there are no longer any significant state-owned mining operations in Brazil.

The largest mining investment planned for the coming years in Brazil is the Salobo project, a joint venture between CVRD and the Anglo-American group. The project calls for an investment of more than US\$1 billion to produce copper and gold in the north of Brazil. Extensive geological and metallurgical research has been done, but the project has been on hold for three years. Market sources have recently informed that the project may not be feasible in the medium term, based on current metal prices.

The decrease of the total market size in 1999 is not because of a market recession. It reflects a decrease in dollar earnings due to the recent currency devaluation of nearly 40% in early 1999. For the same reason, imports are also expected to slow down during 1999. Brazil has a very diversified local mining equipment industry, with a high export volume. This export business is expected to increase significantly during 1999.

(US\$ millions)	1997	1998*	1999*
D. Total Market Size	3,100	3,210	2,810
E. Total Local Production	3,240	3,320	2,950
F. Total Exports	305	300	330
G. Total Imports	165	190	190
H. Imports from the U.S.	85	90	90

\* Statistics are unofficial estimates

Exchange Rate: US\$1.00 = R\$1.65 (May 1999)

Sources: Industry and trade analysts and specializes magazines

A. Rank: 11

B. Sector: Metalworking Machinery

C. ITA Code: MTL

Comments: The Brazilian Association of Machine Manufacturers (ABIMAQ), estimated that the Brazilian market for machine tools in 1998 was US \$ 896 million of which 37% was supplied by local production and 63% by imports. Despite the current economic recession in Brazil, ABIMAQ has optimistic expectations for the consumption of machine tools in 1999. According to ABIMAQ's statistics, the total market for machine tools in 1999 will grow by 6% in 1999 over 1998 to reach US\$ 949.1 million. Local production should increase by 8% and reach US\$ 518 million and imports should grow by 4% in 1999 and reach US\$ 588.8 million.

The Brazilian market for machine tools is expected to expand at a 15% annual rate from 2000 to 2001, due to increased investments in the following industries: automotive (US\$ 18.3 billion from 1996 to the year 2000), auto parts (annual investments of over US\$ 1.5 billion per year largely oriented toward new machinery and upgrade to meet OEM

requirements), household appliances (US\$ 2 billion from 1998 to the year 2002), as well as replacement of those obsolete machines currently in operation in Brazil. A 1998 study of 5,000 industrial companies published by a technical Brazilian magazine, *Maquinas e Metais*, estimated that there are currently 184,000 machine tools operating in Brazil of which only 16,000 or 8.7% are CNC machines. The study also shows that 57% of the machine tools in operation are more than 10 years old.

After the Brazilian market began to open more to imported products in 1990, a number of local producers of machines initiated representation and distribution of international manufacturers whose products complement their production lines. In order to avoid competing with the large volume of local universal representatives of imported machinery in Brazil, representatives tend to search for niche products that also generate higher profit margins. Local representatives of machine tools advertise in technical magazines and participate in major trade shows. Many international machine tool manufacturers open sales offices and "technology centers" comprising of a show room, machine parts warehouse, technical assistance and training.

Major third country suppliers include Germany with 25% of the import market, Italy with 18%, and the US with 15%.

The best U.S. export prospects are those not currently manufactured in Brazil and which currently enjoy a 5% import tariff. These include special CNC electro-erosion cutting machines, multi axis CNC machines with automatic tool exchangers, three axis with more than 3 speed machines, CNC grinding gear machines, machines for texturing cylindrical surfaces, circular automatic machines for cold multi-cutting metal tubes, CNC sawing machine for tube cutting, speed above 50 meters per minute, CNC machines for cutting and transporting steel tubes, with quality control systems and tube marking, several types of automatic presses, CNC machines for folding and stamping metal wires and metal stripes, machines for tube manufacturing, CNC machines for punching, marking and cutting of metal sheets, automatic machines for sharpening and drilling round metal tubes, machines for expanding tubes and for making internal and external threads through rolling; and CNC machines for straightening, folding and cutting metal wires.

(US\$ millions)

	1997	1998	1999*
D. Total Market Size	937	895.6	949.1
E. Total Local Production	545	479.6	518.0
F. Total Exports	147	150.1	157.6
G. Total Imports	539	566.1	588.8
H. Total Imports from the U.S.*	80	84.9	88.3

\* Statistics are unofficial estimates.

Exchange Rate: US\$ 1.00 = R\$ 1.65 (May 1999)

Source: Brazilian Association of Machine Manufacturers  
(ABIMAQ/SINDIMAQ)

A. Rank: 12

B. Name of Sector: Construction Machinery

C. ITA Code: CON

Comments: The Brazilian market for construction machinery in 1998 was approximately US\$ 1.3 billion, an increase of 10% over 1997. According to local equipment manufacturers, sales of construction machinery decreased in the first quarter of 1999 due to the economic turbulence in Brazil. However, they expect that the market will level off at 1998 volumes by the end of 1999. Long-term forecasts are conservatively optimistic in view of investments in the recently privatized sectors such as transportation, telecommunications and energy. These new concessionaires have contractual commitments with the government to maintain, upgrade and expand the existing infrastructure.

The Brazilian market is predominantly supplied by the locally established subsidiaries of multinational firms such as Caterpillar, FiatAllis, Volvo, Case and Komatsu. Imports of construction machinery initiated in 1993 with the opening of the Brazilian market, and are growing rapidly. In 1998, machinery imports reached approximately US\$ 135 million, an increase of 12.5% over 1997. U.S. imports represent approximately 50% of the import market.

Best prospects for U.S. exporters include air compressors, aerial platforms, asphalt plants, light towers, concrete equipment, as well as parts and accessories.

(US\$ millions)	1997	1998	1999
D. Total Market Size	1,200	1,320	1,320
E. Total Local Production	1,700	1,950	1,950
F. Total Exports	620	765	765
G. Total Imports	120	135	135
H. Total Imports from U.S.	60	75	75

The above statistics are unofficial estimates.

Exchange Rate: US\$ 1.00 = R\$ 1.65 (May 1999)

Sources: SOBRATEMA - Brazilian Society for Maintenance Technology;

ABICMAQ/SINDIMAQ - Brazilian Association of Basic Industries.

A. Rank: 13

B. Sector: Electrical Power Systems

C. Code: ELP

Comments: The total Brazilian market for electrical power equipment (ELP), including generation, transmission, and distribution segments, is estimated to have reached US\$ 3.11 billion in 1998 -- up 22% from the previous year. For 1999 and 2000, the market should equal that of 1998 in terms of local Brazilian currency levels. However, translated into dollars, the Brazilian market for ELP should drop to US\$ 2.1 billion in 1999 as a result of the thirty percent devaluation of the Brazilian Real against the U.S. dollar. The Real devaluation will also affect import results in 1999, as anticipated by ABINEE, the Brazilian Association of the Electrical and Electronic Industries. ABINEE estimates that imports of ELP equipment should decrease by 10% or 15% in 1999 approximating US\$ 315 million. However, trade contacts foresee import volumes slightly recuperating due to the importation of thermal power generation equipment.

Locally established manufacturers, including multinationals, such as Asea Brown Boveri, Siemens, Schneider, Coemsa-Ansaldo, Alstom, Voith and Toshiba as well as U.S. companies, Eaton/Cutler Hammer, G.E., Coopers, and Hubbell are predominant suppliers in this market. Export opportunities for U.S. companies hold good prospects in the power distribution field and in the fast-growing natural gas power generation market. Currently, hydro power plants account for over 90% of total power generation in Brazil. However, their share is expected to drop to 83% in the next five years as new natural gas comes online from the Bolivia/Argentina Brazil gas pipeline.

The power sector market is expected to grow substantially over the short-to-medium-term given Brazil's needs to increase its power generation by over 3,500 MW each year through 2008 to meet an expected energy consumption average rate of 4.7% a year. In ten year's time, Brazil's installed power capacity is expected to jump from 61,300 MW to 104,600 MW, according to preliminary statistics released by Eletrobras in its 1999/2008 Power Expansion Plan. Additionally, the on-going Brazilian privatization process, which has to date (May 1999) privatized sixteen power distribution companies and one bulk energy supplier, is expected to continue through 2000 selling over fifteen power companies. Foreign investor participation in the Brazilian privatization program to date has exceeded 25 percent of the total sector privatization. The United States leads the field (AES, Enron, Houston Industries, Community Energy Alternatives, and Southern Electric), followed by Spain (Endesa and Iberdrola); Chile (Chilectra); France (EDF); and others/ Portugal (EDP).

The market niches emerging in Brazil are in small-to-mid-sized cogeneration projects such as those in progress by Brazil's oil and gas parastatal, Petrobras. A total of 2,800 MW is to be generated from its refinery cogeneration program. Industrial cogeneration projects, such as those under consideration by steam intensive industries as well as by large commercial buildings, may also offer business opportunities for U.S. companies.

On October 15, 1997 during President Clinton's visit to Rio, the U.S. Department of Energy signed a Clean Coal Technology Agreement with the Brazilian Government. In the coal sector the U.S. Trade and Development Agency has already signed two grants with two more are in process. Due to the higher costs of importing gas, coal is expected to increase in the overall share of Brazilian energy supply from two percent to about twelve percent, according to the GOB Deputy Minister for Mines and Energy. Currently four Brazilian coal companies (Metropolitana, Copelmi, Criciuma and Catarinese) are forming joint ventureships with U.S. firms. The Brazilian States of Rio Grande do Sul and Santa Catarina account for 97 percent of the 4.6 million tons of Brazilian coal production.

ANEEL, the Brazilian Power Regulatory Agency, plans to tender 3,710 MW of hydro power plants in 1999. Construction of selected transmission lines is also expected to be open for private participation and operation by mid-1999.

Brazilian electrical power companies are now required to invest in energy efficiency programs. GOB officials estimate a market of \$250 million a year for efficiency products as a result of the new

regulation to reduce Brazil's annual energy wastes of about \$2.5 billion. Additionally, PROCEL, the GOB energy efficiency agency, with the support of USAID, the United States Agency for International Development, is negotiating a \$160 million loan with the World Bank to improve the efficiency of electricity supply and use.

Renewable energy is still considered costly in Brazil and geographically limited. Biomass, particularly sugar bagasse, can be expected to offer opportunities in the short to medium term given Brazil's large sugar cane production.

(US\$ millions)	1997	1998	1999*
D. Total Market Size	2,450	3,113	2,191
E. Total Local Production	2,280	2,890	2,036
F. Total Exports	130	128	160
G. Total Imports	300	351	315
H. Total Imports from U.S.	63	77	69

\* Statistics are unofficial estimates from trade sources.

Exchange Rate: US\$ 1.00 = R\$ 1.65 (May 1999)

Sources: Brazilian Association of Electrical/Electronic Industries (ABINEE) and Eletrobras.

Rank: 14

Name of Sector: Agricultural Machinery

ITA Code: AGM

Comments: The Brazilian agricultural market is one of the most promising worldwide, not only because of its size and enormous cultivated area, but also because of its potential for increased efficiency. Currently, less than 17% of Brazil's cultivated land is profitable. Agricultural production and processing concentrates in the South and Center South, but new cropland's are opening in the Center West and Northeast, and these regions are gaining agricultural significance.

The total market for agricultural machinery in Brazil was estimated at US\$ 3.4 billion in 1998, with local production around US\$ 3.6 million and US\$ 109 million in imports. Imports from the U.S. constitute approximately 45% of total import market or US\$ 52 million in 1998, with Italy, Australia, Sweden, Israel, France, Holland and Japan also holding significant market share in certain subsectors.

Despite Brazil's flat economic performance in 1998 and projected 1 to 3% decline for 1999, agriculture is the bright spot for Brazil, with 9.2% growth in the first quarter of 1999. Local farmers, taking advantage of the recent Brazilian currency devaluation, substantially increased purchases of domestically manufactured agricultural machinery in order to boost export production. The strong performance of the agricultural sector generated an increase of 15.4% in sales of agricultural machinery in the first quarter of 1999. This situation did not favor U.S. exporters of conventional agricultural machinery, who, besides dealing with the disadvantage of the exchange rate, also have to compete with efficient distribution channels, local technical assistance, and access to federal sources of financing provided by Brazilian firms manufacturing similar products. This scenario does not

seriously impact U.S. exporters of more advanced agricultural machinery, which holds the best market potential, due to the limited local availability of these products.

Best U.S. export prospects in this sector include machinery with higher efficiency levels, automated devices and new technology. Products presenting good prospects for U.S. exporters include: harvesting/threshing machinery; cleaning, sorting, grading, milling and working cereals, seeds, vegetables and grains machinery; poultry equipment; milking machines; irrigation equipment; fruit sorting and grading machines; weather monitoring systems; and GPS devices.

(US\$ Millions)	1997	1998*	1999*
A. Total Market	3,232	3,470	3,750
B. Local Production	3,342	3,600	3,900
C. Total Exports	217	240	260
D. Total Imports	107	109	110
E. Imports from the U.S.	31	52	57

\* The above statistics are unofficial estimates. Estimates do not include tractors, considered part of the automotive sector.

Exchange Rate: US\$ 1.00 = R\$ 1.65 (May 1999)

Sources: ABIMAQ, Brazilian Association of Machinery, ANFAVEA, Brazilian Association of Automotive Vehicles, and estimates from local companies.

- A. Rank: 15
- B. Sector: Plastic Production Machinery
- C. ITA Code: PME

Comments: In 1998, the Brazilian market for plastics production machinery was estimated at US\$ 801.77 million of which about 59% was supplied by local production and 41% by imports. The domestic consumption of plastics production machinery is expected to drop by 10% in 1999 due to the current economic recession in Brazil and the devaluation of Brazilian currency, which should result in decreased imports. In 1998, imports of plastics production machinery were forecasted at US\$ 358.7 million and should drop to US\$ 288.75 million in 1999.

According to statistics from the Brazilian Secretariat of International Trade (SECEX), Brazilian imports of plastics machinery in 1997 were valued at US\$ 419.90 million. The major suppliers were Italians with 24% of the market, followed by German and U.S. suppliers with 16% of the import market each.

The plastics machinery currently in use in Brazil include 27,000 plastics injection machines (estimated 500-600 annual demand), 5,500 plastics extrusion machines (estimated 300 annual demand) and 7,000 plastics blow molding machines (estimated 300 annual demand).

The import tariff on plastics production machinery is currently 19% and is scheduled to drop to 18% in 2000 and 14% in 2001. Imports of a

number of machines not manufactured in Brazil may be imported with a 5% import tariff.

Leading best prospects for U.S. exporters include:

Some special heavy injection machines (weighing more than 10,000 kilograms);

Structural foam injection molding machines, with 12 or more injection nozzles, closing strength equal or superior to 500 metric tons, mold exchange system plates larger than 1.80 meter X 2.20 meters and LPC; CNC injection molding machines with closing strength equal or superior to 2,200 metric tons, injection volume equal or superior to 11,000 grams and opening equal or superior to 1,900 mm;

Rubber parts injection molding machines, with vertical or horizontal closing capacity equal or superior to 300 metric tons, with microprocessor, heated pressure plates, injection chambers with temperature controlled circulating water and rubber strip feed rolls; Machine for manufacturing polyurethane foam with foam platform towers, with tanks for mixing raw materials, pressure chamber, CNC and six additional injection gauges;

Special heavy plastics extrusion machines weighing over 10,000 kilograms;

Solid (tubular or fiber optic cable) coating extrusion machines, with synchronized filling device, speed equal or over 200 meters/minute and automatic tension control;

Co-polymer extrusion system, for bi-oriented polypropylene films, with extrusion machines, feeding systems, electronic controls, with extrusion capacity ranging from 25 to 450 kilograms per hour;

Integrated cooper wire extrusion machines, speed of 100 meters per minute, gauge equal or larger than 5 square mm, automatic color exchanger system, wire un-winder and heater, cooling channel, color mixing system, traction system and LPC;

Heavy blow molding machines (weighing more than 10,000 kilograms);

Automatic thermoplastics molding machines. Simultaneous injection, rolling and blowing;

Heavy vacuum forming machines weighing more than 10,000 kg;

Machines for pressure/vacuum thermoforming, for the production of plastics packaging, with capacity of 100,000 pieces per hour;

Machines for filling dies with polyurethane, by injection, with pressure equal or superior to 210 bar, for panels and refrigerated chambers;

Gas injection devices in hollow plastic parts;

Extrusion gauges and thickness of polypropylene bi-oriented film automatic control.

(US\$ millions)

	1997	1998	1999*
D. Total Market Size	823	801.8	721.6
E. Total Local Production	515	471.1	500.5
F. Total Exports	22	28.0	30.0
G. Total Imports	330	358.7	251.1
H. Total Imports from the U.S.	52	57.4	40.2

\* Statistics are unofficial estimates.

Exchange Rate: US\$ 1.00 = R\$ 1.65 (May 1999)

Source: Brazilian Association of Machine Manufacturers  
(ABIMAQ/SINDIMAQ)

Rank: 16

Name of Sector: Packing Equipment

Code: PKG

Comments: The Brazilian packaging equipment sector was estimated at US\$ 362 million in 1998, with local production around US\$ 253 million. Local production is mainly directed towards the local market, with exports reaching no more than US\$ 15 million in 1998. Prior to Brazil's market opening in 1990, multinational groups controlled the packaging machinery market, in many cases, using outdated manufacturing technology, which satisfied local demand. With the opening of the market, end-users requirements expanded to include higher level of packaging technology often only available through imports. As a result, local manufacturers had to adapt and are now producing higher quality and more appealing equipment that can effectively compete with imports.

Imported packaging machinery holds approximately 35% of the Brazilian packaging equipment market totaling around US\$ 124 million in 1998. The United States exported US\$ 37 million in packaging equipment to Brazil in 1998, holding 30% of the total import market. Besides the United States, Germany and Italy are traditional suppliers of packaging equipment to Brazil, holding 30 and 24% of the import market, respectively.

This scenario will tend to change with the recent Brazilian currency devaluation. According to industry specialists, exports of packaging equipment will certainly increase, mostly to Mercosul countries, but the impact on imports is still uncertain. Imported basic packaging equipment will probably lose market to comparable locally manufactured equipment, while imports of more advanced equipment, without local competition, should not be seriously affected.

Major end-users of packaging equipment are the food, beverage, cosmetic, perfume, personal hygiene, and pharmaceuticals industries. The food industry represents the largest end-user market for packaging equipment in Brazil and processes approximately 60% of all packaging produced in Brazil

Best sales prospects include machinery for filling, closing, sealing, capsuling or labeling bottles, cans, boxes, bags or other containers; machinery for aerating beverages; machinery for vacuum filling flexible containers; automatic strapping, binding, and sealing machinery; machines for cleaning or drying bottles and other containers; automatic dry foods packaging machinery; capping or sealing machinery; capsuling machinery; filling and labeling machinery; and packing and/or labeling machinery.

(US\$ Millions)				
	1997	1998*	1999*	
A. Total Market	320	362	408	
B. Local Production	220	253	290	
C. Total Exports	13	15	18	



D. Total Imports	113	124	136
E. Imports from the U.S.	34	37	40

\* Statistics are unofficial estimates.

Exchange Rate: US\$ 1.00 = R\$ 1.65 (May 1999)

Source: Brazilian Association of Machine Manufacturers  
(ABIMAQ/SINDIMAQ)

A. Rank: 17

B. Sector: Laboratory and Scientific Equipment and Process Controls - Industrial

C. ITA Code: LAB and PCI

The Brazilian market for industrial instrumentation and analytical equipment is very competitive with active participation by several Brazilian and foreign companies. This US\$ 120 million market is supplied 45% by imports primarily made-up of industrial analysis equipment. New industries being installed in Brazil stimulate current and future demand for instrumentation and analytical equipment. The strongest new investment growth areas in Brazil include sugar mills, cement, pulp and paper, petrochemical, steel, sanitation, food, automotive and chemical industries. Also, the opening of the petroleum sector will generate business for industrial instrumentation and analytical sectors. The most competitive U.S. export products in this sector include chromatographs, spectrometers, spectrophotometers, laboratory equipment and analysis, flow meters and pressure and temperature gauges.

The market is likely to remain flat in 1999 due to the Brazilian economic slowdown. However, in the medium-term, the Brazilian market should grow slightly (2-5%) over the next few years. According to trade sources, investments from the public and private sectors, including universities, research institutes and industries should continue at steady rate. Industries are increasing their production efficiency and modernization to become competitive. Brazil leads Latin American country in ISO 9000 certified companies.

Also, automation of production lines has increased demand for electronic instruments like pressure and temperature gauges and process controls systems. According to the Brazilian Association of Electric and Electronic Industry, the process automation market was US\$ 1.6 billion in 1998 and is expected to be US\$ 2 billion in 2000. Automation of production lines is increasing demand for electronic transmitters in Brazil, but analogic devices still have a presence due to their low cost and easy operation. Brazilian and international companies are importing and manufacturing automation systems in Brazil. Yokogawa, ABB, Siemens and Fisher-Rosemount are some of the foreign players in the Brazilian automation market.

The major end-users of industrial instrumentation and analytical equipment and services in Brazil are sugar mills, cement, pulp and paper, petrochemical, steel, sanitation, food, automotive and chemical industries. Research institutes and universities are also considered a potential market for U.S. companies.

The market for industrial instrumentation equipment (US\$ 80 million) is twice that of industrial analytical equipment (US\$ 40 million). Brazilian companies dominate 80% of the industrial instrumentation market, but only 5% of the analysis market. High technology investments in Brazil that demand highly accurate analytical instruments are at the root of the 95% import rates for analytical equipment. In industrial instrumentation, a number of Brazilian and international companies manufacturing in Brazil supply the bulk of this market at prices that make it difficult for imports to compete.

#### - STATISTICAL DATA

##### Industrial Instrumentation Market:

.	1998*	1999*	2000*
(US\$ Million)			
Total Market	80	95	110
Local Production	60	75	90
Exports	0	0	0
Import Market	20	20	20
Imports from the U.S.	8	8	8.3

\* Statistics are unofficial estimates.  
 Exchange Rate: US\$ 1.00 = R\$ 1.65 (May 1999)  
 Source: industry and trade contacts

##### Industrial Analysis Market:

(US\$ Million)	1998*	1999*	2000*
	(% of growth)		
Total Market	40	45	50
Local Production	4	6	8
Exports	0	0	0
Import Market	36	39	42
Imports from the U.S.	22	25	30

Statistics are unofficial estimates.  
 Exchange Rate: US\$ 1.00 = R\$ 1.65 (May 1999)  
 Sources: Revista da Industria - FIESP, Federation of Industries of the State of São Paulo, Revista Quimica e Derivados, Journal Gazeta Mercantil, Brazilian consulting firms and ABINEE - Brazilian Association of Electronic Industry.

Rank: 18

Name of Sector: Food Processing and Packaging Machinery

Code: FPP

Comments: The Brazilian food processing and packaging machinery sector is estimated at US\$ 550 million. Imports represent 32% of this market, totaling an estimated US\$ 180 million in 1998. Germany and Italy are traditional suppliers of food processing and packaging machinery to Brazil, together holding 51% of the import market. Most imports from these two countries are through local subsidiaries importing from

headquarters. U.S. exports of food processing and packaging machinery to Brazil reached an estimated US\$ 20 million in 1998, holding 11% of the total import market.

End-users of food processing and packaging machinery in Brazil are small to large food companies. Several multinational food companies operating in Brazil have recently concentrated their business in specific market segments by selling off other operations. As a result, many smaller Brazilian companies unable to attain economies of scale and lower costs are struggling to survive in this market.

The growth in domestic consumption that followed the 1994 market stabilization policy, Real Plan, had a direct impact on the Brazilian food industry. Through a series of currency stabilization and anti-inflationary measures, the Real Plan increased the number of consumers in the market by over 15 million. According to the IPEA, the Research Institute for Applied Economics, Brazil will have an average annual per capita growth of 4 to 5% through 2005. While slower economic performance in 1998 and 99 is limiting non-essential purchases by this new consumer class, supermarkets are holding prices within 5% of 1998 levels to encourage stable consumption.

In 1997, BNDES, the Brazilian Development Bank, lent US\$ 2 billion to food processing companies, a 31% increase from 1996. The beer sector borrowed US\$ 497 million (a 66% increase), the poultry sector received US\$ 96 million (a 131% increase) and the rice processing sector received US\$ 12 million (a 220% increase). Part of these resources lent to the food industry (US\$ 194 million) came from BNDES-Eximbank operations. According to the Information Center of Gazeta Mercantil, a total of US\$ 7.5 million in investments are programmed for the period from 1998 to 2003 in the food industry, and another US\$ 7.0 billion in the beverage industry.

Best U.S. export prospects in this sector include machinery with higher efficiency levels, automated devices and new technology. Products presenting strong prospects for U.S. exporters are bottle cleaning/washing machines, baking machinery and meat processing machines.

(US\$ Millions)	1997	1998*	1999*
A. Total Market Size	623	550	577
B. Total Local Production	635	390	409
C. Total Exports	69	20	21
D. Total Imports	57	180	189
E. Imports from the U.S.	10	20	21

\* The above statistics are unofficial estimates.  
Source: Abimaq, Siscomex and Industry specialists.  
Exchange Rate: US\$ 1.00 = R\$ 1.65 (May 1999)

A. Rank: 19

B. Name of Sector: Architectural/Construction/Engineering Services

## C. ITA Code: ACE

Comments: The Brazilian construction industry in 1998 was estimated at US\$ 90 billion, corresponding to approximately 9.2% of the GDP. Brazil's currency devaluation in January 1999, followed by the economic recession, slowed down some of the construction activities, but long term forecasts are conservatively optimistic in view of investments in the recently privatized transportation, telecommunications and energy sectors.

Many Brazilian architectural, construction and engineering companies offer internationally recognized competitiveness and experience. Many of them obtained the ISO 9000 certification in the last couple of years and have strong presence in foreign countries. However, the majority of small to mid-sized firms are still open to new technologies to improve the efficiency and quality of construction work. The best strategy for U.S. architectural, construction and engineering firms is to establish partnerships with solid Brazilian firms who know the culture and business practices in Brazil. Several foreign firms have successfully entered the market in recent years using this strategy.

Best prospects for U.S. suppliers of architectural, construction and engineering services concentrate in the following segments:

Infrastructure: At the end of 1988, the Brazilian Association of Infrastructure and Basic Industries (ABDIB) had identified 1,442 infrastructure projects that called for investments of US\$ 229.2 billion through 2003. According to ABDIB, US\$ 72.5 billion of this figure represented projects already in process that are expected to be successfully completed. The remaining projects may suffer delays due to the current economic situation. The market expects a quick resumption of the projects and U.S. engineering consultants would find good opportunities in this segment. Projects are divided into the following sectors:

Sector	US\$ billion	No. of Projects
- Electrical Energy	95.1	826
- Transportation/Ports	52.3	224
- Oil/Gas/Petrochemicals	39.6	134
- Sanitation/Environment	15.3	152
- Pulp/Paper	9.7	23
- Metallurgy	9.0	30
- Mining/Cement	8.2	53
TOTAL	229.2	1442

Residential Construction: This segment suffered a significant slowdown in 1998 due to lack of financing and high interest rates. The Sales volume of new homes in the Sao Paulo Metropolitan Area, the largest and the most important city in Brazil, dropped 26.8% in 1998 compared to 1997. In view of increasing unemployment, local trade contacts do not expect significant growth in this segment in 1999. Nevertheless, leading contractors are looking for new products and technologies that would reduce construction costs, especially for lower-income family housing.

Hotel and resorts: investments of approximately US\$ 2.4 billion are planned in more than 70 new hotels to be built by the end of year 2000. Major hotel chains such as Melia (Spain), Posadas (Mexico), Accor (Brazil), Choice (USA), among others have plans to open several hotels in the next couple of years to meet the repressed demand for business hotels in major Brazilian cities. Foreign architects are participating in some of the projects, in partnership with Brazilian architects and engineering firms.

Industrial Construction: This segment was the least affected by the economic turbulence that hit the country in January 1999. Many investors believed in a fairly quick economic recovery and although they slowed down industrial production, many maintained their plant expansion and or construction plans. For foreign investors this led to lower U.S. dollar costs for such industrial construction. Constructors specializing in industrial construction are seeking alternative construction methods to reduce construction times and material losses.

No trade data are available for these service sectors.

Sources: trade associations, publications and trade contacts.

A. Rank:20  
 B. Name of Sector: Defense  
 C. ITA Code: DEF

Comments: The Defense sector in Brazil is the largest in Latin America due to the size of the country, both in geography and population. However, Brazil today has the lowest military budget/GDP ratio in Latin America except for Costa Rica. Brazil's Armed Forces currently seeks to update and modernize its military material and a new Ministry of Defense is being established to coordinate procurement replacing separate Army, Navy and Air Force procurement operations. The Brazilian Military is consistently short of cash. Fiscal year 1999 military spending was budgeted at approximately US\$11 billion. Due to continued federal budget tightening, defense budgets will most likely remain level at best for the next several years.

Brazil has a diversified industry, which produces a wide variety of defense equipment and supplies, ranging from small arms to aircraft. Since the zenith of Brazil's arms industry and arms exports in the mid-1980s, many Brazilian arms manufacturers have suffered through an extreme financial crisis due to lack of domestic orders and changing international arms procurement patterns. Brazil's Armed Forces currently seeks to update and modernize its military material. As an example, the Brazilian Air Force has 6 F-5 and 4 Mirage, 20 Tucano airplanes, 20 Xavantes, 6 Gastes Learjet, 6 Bandeirantes, 4 Bell Jet Ranger and 30 Esquilos. The average age of these aircraft is 27 years. The Army is the largest of the Armed services with 200,000 men, 520 M-41C tanks, 795 troop trucks and 46 helicopters. The Navy is equipped with 5 submarines, 10 frigates, 5 corvettes, 73 helicopters and 1 sea-plane carrier. In Brazil the Army, Navy & Air Force run independently under a new a Ministry of Defense, but have no central coordinated procurement office. The Brazilian Congress provides an annual budget to each armed service for its own use.

Currently, the Air Force is planning to replace its 6 F-5 and 4 Mirages. Suppliers are encouraged to present their best offers. Concurrently, the Navy is upgrading its sonar equipment for its 10 frigates and the Army has several projects to procure missiles and radars.

The principal commercial opportunities for U.S. defense companies in this sector lie among the subsectors mentioned above. However, sector specialists emphasize the need for Brazil to modernize every aspect of its military material, down to the smallest purchases including gas masks, backpacks, boots, etc. U.S. companies interested in participating in any military government tender must have a local representative and meet with procurement officers personally during the bidding process. Statistics for defense equipment are not made available.

GOB has a central procurement office in the U.S. 1701 22nd Street N.W. - Washington, DC 20008 Tel: (202) 332-5522/483-4031, Fax: (202) 483-4684.

No trade data are available for this sector.

Sources: trade associations, publications and trade contacts.

A. Rank 21

B. Name of Sector: Cosmetics and Toiletries

D. ITA Code: COS

In 1998, Brazil's Cosmetics and toiletries market, which includes the subsectors of personal hygiene (66%), cosmetics (23%) and perfumes (11%), reached net sales of US\$ 4,8 billion, up only 0.34% over 1997. This flat growth resulted from Brazil's recessionary climate beginning in 1998 and 30% currency devaluation in January 1999. The cost of imported products increased and even local Brazilian cosmetic/toiletry prices rose due to their large scale of imported raw materials. Market analysts expect this flat growth to hold through the end of 1999 and level off at 4-5% increase annually in 2000 and 2001, provided Brazil's economic recovery continues.

The growth in general consumption in Brazil, more than doubled in the three years since 1994 with the establishment of the economic stabilization plan, the Real Plan, largely due to the estimated 15 million new consumers that entered the market. According to market analysts, this consumption increase will continue strong, with the Brazil's economic recovery. The new consumer base now demands better quality products and has prompted local producers and importers to improve their product lines. Also the elimination of high inflation led consumers to demand more for their money, and has forced suppliers to cut costs, while maintaining and improving quality.

According to the Cosmetic and Toiletry Producers Association (ABIHPEC), total Brazilian imports of cosmetics and toiletries reached US\$ 235 million in 1998, down 6% from US\$ 250 million level in 1997. Of that total, around US\$ 52 million in products was imported from the United States, Brazil's largest international supplier of those products.

Best prospects for US exports include facial and body skincare, sun protection creams and lotions, shampoos and "men's products", including good quality lotions and shaving preparations, ethnic products (dark

skin cosmetics and toiletries), and hair treatment products (40%) of the market.

The more advanced lines of cosmeceuticals (bio-cosmetics) are another group of imported products that are readily accepted in Brazil. The marketing in Brazil is changing and demand for products such as anti-wrinkle creams, anti-acne and similar products, is increasing. Also, the nutraceuticals (containing "skin food", such as vitamins) is another growth market. The Brazilian consumer of these products is less price sensitive than the standard consumer. Sales in this sophisticated market in 1998 was US\$ 316 million, up 8% from 1997, a level much higher than the overall sector.

Registration of cosmetics and most toiletries with the Brazilian Ministry of Health is compulsory before sale. The Ministry recently announced that it would deregulate, i.e. exempt the grade 1 (lower-risk) cosmetic from compulsory registration by August 1999. This will simplify the importation of a large number of cosmetics. Import tariffs range from 18% to 21% (Harmonized Codes of 3303 to 3401 and 5601), depending on the product, and the tax on industrial product (IPI) rates reach up to 40% for both imported and locally manufactured products such as perfumes and colognes.

(US\$ million)	1998	1999 (Estimate)	2000
(Estimate)			
A. Market Size	4,800	4,817	5,058
B. Local Production	4,648	4,665	4,898
C. Exports	83	84	88
D. Imports	235	236	248
E. Imports from US	52	53	56

- A. Rank: 22
- B. Name of Sector: Computer Hardware and Peripherals
- C. ITA Code: CPT

Comments: The computer hardware sector is one of the leading sectors in Brazil with reported market of almost US\$ 6 billion in 1998. The computer hardware and peripherals segment grew by almost 17% in 1998 and is expected to grow 5% in 1999 and 14% in 2000. According to industry experts, the drop in the 1999 growth rate is due to a significant sales decrease in the first quarter of 1999 when the local currency was devaluated by 50%, greatly increasing the cost of imported computer products.

Despite this sales decline, the computer hardware sector in Brazil is likely to continue expanding substantially on the near term as industry and commerce continue important automation upgrades, and the number of home users continues to boom. By the end of 1999 a large number of new PCs will have to replace old ones installed for companies to reach Y2K compliance.

Approximately 1.5 billion desktops were sold in Brazil in 1998, with 38% purchased by the SOHO market. PC use is growing with increased use

of Internet, estimated at 3.8 million in 1999 and expected to reach 7.5 million in 2003.

Most PCs in Brazil are locally manufactured by global players including IBM, Compaq, ABC Bull, Hewlett-Packard, etc. and Brazilian manufacturers such as Itautec, Microtec, UIS and Tropcom. Companies manufacturing PCs locally receive fiscal benefits through the "Basic Productive Process" (PPB) which assures more competitive prices to PC local manufacturers as long as they invest 5% of their gross revenues in research and development in the sector. In these cases, Brazilian made PCs retail at a price up to 35% less than imported ones.

Personal computers, video monitors, printers and digital switchboards are currently subject to a 30% import tariff, which makes competition with local manufacturers stiff, especially when considering the local manufacturing PPB benefit. The PPB benefit is in force since April 1993 and will expire on October 29, 1999. Several Associations, Unions and domestic manufacturers related to the computer sector are submitting a project to the Brazilian Congress in a joint effort to give continuity to the benefit.

Most computer hardware imports into Brazil consist of peripherals, assessories and components related to manufacturing. U.S. exports hold 85 % of import market share. Best prospects for U.S. exports of computer hardware include: laptops, scanners, printers, DVDs, handheld devices, network products, storage devices and quickcams.

Other hardware and peripheral products have an average import tariff of 18 %. By the year 2006 import tariffs for computer-related products are projected to be 12-16%. The tariffs will steadily decrease as Brazil adapts tariff levels consistant with the other Mercosul countries (Southern Cone Common Market).

#### COMPUTER HARDWARE

(US\$ millions)

	1998	1999	2000(*)
Market Size	5,971	6,269	7,146
Local Production	3,799	3,989	4,547
Exports	235	247	281
Imports	2092	2,197	2,504
Imports from the U.S.	1781	1,870	2,132

(\*) Statistics are unofficial estimates.

Exchange Rate: US\$ 1.00 = R\$ 1.80 (July 1999)

Source: IDC, ABINEE, MCT-SEPIN

#### Best Prospects for Agricultural and Food Products

Name of Sector: Cotton

HTS 5201



Comments: Since the beginning of the 1990's, Brazilian cotton growers have experienced many problems with high production costs and increased competition. Growers with mechanize systems of production have been able to overcome these problems while many small under-capitalized growers have gone out of business. Although Brazilian cotton production recovered somewhat in MY97/98 (production is estimated 380,000 mt, up almost 36% from the previous year). Brazil will continue to import a substantial volume of cotton.

(US\$ millions - FOB)	1998	1999*	2000*
A. Total Market Size	1115	1005	1000
B. Total Local Production	300	255	325
C. Total Exports	0	0	0
D. Total Imports	815	750	675
E. Total Imports from the U.S.	0	80	60

\*Statistics are unofficial Estimates.

Exchange Rate: US\$ 1.00 = R\$ 1.17 (June 1998)

Source: Secretaria de Comercio Exterior (SECEX) - MDIC, Ministry of Finance, and USDA FAS

Name of Sector: Wheat  
HTS 1001

Comments: Brazil's domestic production of wheat is far below its domestic consumption needs and therefore the country has a large annual import demand for wheat, of which much is supplied by Argentina. From September 1996 until November 1998, the United States had been out of the Brazilian wheat market because of phytosanitary issues. Currently, however, U.S. Hard Red Winter (HRW) wheat is allowed into Brazil and the approval of two additional types of wheat are expected shortly (as of June 1999). Import demand for the local marketing year 99/00 (August 1999 - July 2000) is currently estimated at 5.6 million metric tons (mt), with Argentina supplying about 4.0-4.5 million metric tons, which leaves about 1.2-1.6 million mt for other suppliers.

(Million Metric Tons)	1998	1999*	2000*
A. Total Market Size	8.54	8.54	8.65
B. Total Local Production	2.19	2.70	2.90
C. Total Exports	0.00	0.00	0.00
D. Total Imports	6.10	5.60	5.75
E. Total Imports from the U.S.	1.00	0.75	0.75

\* Statistics are unofficial estimates.

Source: Secretaria de Comércio Exterior (SECEX) - MICT, Ministry of Finance, and USDA Foreign Agricultural Service.

Name of Sector: Apples and Pears  
HTS 0808.10 and 0808.20.10

Comments: Brazil is becoming an important apple producer but continues to import high volumes of apples, particularly in years of short

domestic production. Brazilian apple production is estimated at nearly 700,000 metric tons in 1998/99. Brazil has virtually no commercial production of pears. Argentina and Chile are the major suppliers of apples and pears to Brazil and benefit from preferential tariff treatment. However, there is growing awareness of U.S. products and quality, and the United States production season is opposite Argentina's and Chile's allowing for a marketing window for both fruits, but particularly for pears. U.S. exporters have major opportunities in this market which is expected to grow by over 2 percent per year. In 1998, Brazil was the third largest export market for U.S. pears.

(US\$ Millions - FOB)	1998	1999*	2000*
A. Total Market Size	800	820	884
B. Total Local Production	661	690	759
C. Total Exports	11	27	35
D. Total Imports	128	103	90
E. Total Imports from the U.S.	12	8	8

\* Statistics are unofficial estimates.

Source: Secretaria de Comércio Exterior (SECEX) - MICT, Ministry of Finance, and USDA Foreign Agricultural Service.

Name of Sector: Whey, and Lactose  
HTS: 0404, 172

Comments: Although Brazil produces a small amount of whey derived from its cheese production, whey is considered a residue and is seldom used as a food ingredient. Most of the whey used by the dairy and beverage industry in Brazil is imported. The market is booming because of the increasing use of whey in dairy-based drinks (yogurt), as well as for animal feed purposes. This offers a great opportunity for U.S. exporters because local production does not meet demand. The EU is the major competitor for this product.

(US\$ Millions - FOB)	1998	1999*	2000*
A. Total Market Size	25	28	32
B. Total Local Production	15	16	18
C. Total Exports	0	0	0
D. Total Imports	10	12	14
E. Total Imports from the U.S.	3	2	3

\* Statistics are unofficial estimates.

Source: Secretaria de Comércio Exterior (SECEX) - MICT, Ministry of Finance, and USDA Foreign Agricultural Service.

Name of Sector: Vegetable Seeds  
HTS 1209

Comments: The best prospects for U.S. seeds continue to be in the vegetable seed sector, where, despite the economic slowdown in the

Brazilian economy in 1998 and 1999, there is expected to be a continued need for high quality seeds, for which Brazil, as yet, does not have the technical production capacity. Other major sources of imported vegetable seeds are the EU, Israel, and Japan.

(US\$ Millions - FOB)	1998	1999*	2000*
A. Total Market Size	35	38	41
B. Total Local Production	14	15	16
C. Total Exports	1	1	1
D. Total Imports	20	22	24
E. Total Imports from the U.S.	7	6	7

\* Statistics are unofficial estimates.

Source: Secretaria de Comércio Exterior (SECEX) - MICT, Ministry of Finance, and USDA Foreign Agricultural Service.

## VI. Trade Regulations and Standards

Trade Barriers, including tariffs, non-tariff barriers.

Since 1990, Brazil has made substantial progress in reducing traditional border trade barriers (tariffs, import licensing, etc.), even though tariff rates in many areas are still high. Significant non-border trade barriers remain.

In 1998, in order to fight increasing under-invoicing, Brazil issued a series of measures that required additional approvals for products subject to non-automatic licensing, and broadened the list of such products. While the Government is now in the process of phasing these out and moving most products to the automatic license category, these requirements still present a barrier. Under Brazil's new Customs Valuation regulations, Customs will focus its efforts on under-invoicing, and are authorized to hold up imports until the goods are valued.

Tariffs, in general, are the primary instrument in Brazil for regulating imports. For 1997, the average tariff under Mercosul's Common External Tariff (CET) was 17 percent. The average tariff in 1990, by contrast, was 32 percent. Brazil currently maintains no applied tariff rate higher than 35 percent. Brazil continues to promote significant tariff reductions for many capital goods, which constitute approximately 40 percent of U.S. exports to Brazil. The United States continues to encourage tariff reductions on products of interest to U.S. firms.

Brazil and its Southern Common Market (MERCOSUL) partners, Argentina, Paraguay and Uruguay, implemented the MERCOSUL CET on January 1, 1995. In November 1997, after consulting with its MERCOSUL partners, Brazil implemented an across-the-board three-percent increase on all tariffs (inside and outside the CET), raising the ceiling from 20 to 23 percent. Only energy inputs such as coal and petroleum and agricultural inputs such as seeds were exempted.

The CET currently covers approximately 85 percent of 9,500 tariff items; most of the remaining 15 percent will be covered by 2001, and

all will be covered by 2006. The CET levels range between zero and 23 percent, with the exception of tariffs on telecommunications equipment, computers, some capital goods, and products included on Brazil's national list of exceptions to the CET, such as shoes, automobiles and consumer electronics. These tariffs are generally higher. For products covered by the CET, the maximum Brazilian tariff is now 23 percent. With the exception of sugar and automobiles and parts, trade between Brazil and Argentina is duty free.

The United States signed a trade and investment framework agreement with this emerging common market in 1991. The United States will continue to encourage the reduction of barriers to trade and investment, including tariffs and the creation of a customs union that is open and consistent with the WTO, specifically GATT Article XXIV.

#### Customs Regulations

In 1997 the Brazilian Government established a computerized information system to monitor imports and to facilitate customs clearance known as the Foreign Trade Integrated System (SISCOMEX). The SISCOMEX has facilitated and reduced the amount of paperwork previously required for importing into Brazil. Brazilian importers must be registered in the Foreign Trade Secretariat - SECEX's Export and Import Registry and receive a password given by Customs to operate the SISCOMEX. The SISCOMEX has a graphic interface for the composition of electronic import documents and transmits information to a central computer.

Customs Clearance in Brazil can be a time consuming and frustrating process, similar to other countries in the region. In a report issued by the ICEX (Instituto de Estudos das Operações de Comércio Exterior) last year the average customs clearance time in Brazil was the slowest in the Hemisphere (150 hours). Products can get "caught up" in customs because of minor errors or emissions in paperwork. In FTAA negotiations, Brazil and the U.S. are working on measures to allow more rapid customs clearance. The Brazilians recognize that many of its ports, loading and unloading as well as customs clearance need increased efficiency. To this end, they are also working on a "blue line" expedited method of clearance. However, you should be prepared for the fact that unloading and clearance may take substantially longer than expected.

#### Tariff Rates

Import tariffs currently range from 5 to 32%, however there are numerous exceptions. An example is the 70% tax on imported automobiles. A number of capital goods that are not locally produced enjoy a 5% import tariff, whereas the import tariff on machines is 19%. Exemptions or reductions of import taxes are established by law or by international treaties. The United States continues to encourage tariff reductions on products of interest to U.S. firms. (See section VI, on Tariff in Trade Barriers)

#### Import Taxes Including Value Added Taxes

The import tax base includes the following elements:

- transportation cost of the imported product to the port of arrival;
- fees associated with loading, unloading and handling the imported cargo to the port of arrival;
- insurance costs associated with freight.

Brazil also assesses the following taxes and fees on imports:

Warehouse Tax: 0.65% of CIF in private terminals for a 15 day period

Terminal Handling Charges Avg.: US\$ 100 per container (in Santos Port, Sao Paulo)

The Merchant Marine Renewal Tax (MMR): assessed at 25 percent of ocean freight charges on imports by sea, payable by the importer.

Compulsory Contribution to Custom Broker's union: 2.2% of the CIF value or minimum of US\$ 71 and maximum of US\$ 160

SISCOMEX tax: US\$ 30.00 (fee for using the SISCOMEX system)

Cargo transportation company fee: US\$ 35.00

Hypothetical Cost Buildup for an Imported Machine, shipped in a 20 feet container, shipped from Miami to the port of Santos  
Cost Buildup in US\$

FOB Price of Product	100,000
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*Freight	2,400
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Insurance (0.5 to 2%)	1,000
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CIF Price of Product	103,400
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Landing Charges:

Import Duty (19% of c.i.f.)	19,646
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IPI (Manufactured Products Tax -- 5% on c.i.f. plus import duty)	6,152
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ICMS (Value-added Tax 18%, 12% or 11% on c.i.f. plus duty plus IPI)	23,256
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Port Costs:

AFRMM (Merchant Marine Tax 25% of Ocean Freight)	600
---	-----

** Warehouse (0.65% of CIF or minimum of maximum of US\$ 235)	US\$ 170 235
---	-----------------

Terminal Handling Charges (Average \$ 100 per container)	100
---	-----

Compulsory contribution to the Custom Broker's Union		
(2.2% CIF or minimum of	US\$ 71	
maximum of US\$ 160)	160	
Custom Brokerage Fee (avg.)		
(0.65% CIF or minimum of	US\$ 170	
maximum of US\$ 450)	450	
SISCOMEX fee	30	
Cargo Transportation company fee	35	
Bank Costs (1 to 3% of FOB)	2,000	
FINAL COST US\$156,064		

\* Freight provided by Hamburg Sud Brasil Ltda. on July 6, 1999 for transporting a 20 feet container from Miami to Sao Paulo.

\*\* Private terminals at the port of Santos for 15 days.

\*\*\* IPI and ICMS are not to be calculated as additional import costs because they are also added into the final costs for all locally manufactured products.

#### Internal Taxes

Internal Brazilian taxes relevant to U.S. exporters are the Industrial Products Tax, Imposto Sobre Produtos Industrializados (IPI) and the Merchandise Circulation Tax, Imposto Sobre Circulação de Mercadorias e Serviços (ICMS)

The Industrial Products Tax (IPI) is a federal tax levied on most domestic and imported manufactured products. It is assessed at the point of sale by the manufacturer or processor in the case of domestically produced goods, and at the point of customs clearance in the case of imports. The IPI tax is not considered a cost for the importer, since the value is credited to the importer. Specifically, when the product is sold to the end user, the importer debits the IPI cost.

The Government of Brazil levies the IPI rate by determining how essential the product may be for the Brazilian end-user. The tax rate ranges from 0 to 15 percent e.g. the IPI rate on cigarettes and alcoholic beverages is 365%. The tax is charged on the product's c.i.f. value plus import duty. In general, a relatively low tariff rate carries a lower IPI and a relatively high tariff rate carries a correspondingly higher IPI rate. As with value-added taxes in Europe, IPI taxes on products that pass through several stages of processing can be adjusted to compensate for IPI taxes paid at each stage. Exports from Brazil are exempt from the IPI tax. The regulations dealing with the IPI tax are detailed in Decree No. 87.981, of December 23, 1982.

The Merchandise Circulation Tax (ICMS) is a state government value-added tax applicable to both imports and domestic products. The ICMS tax on imports is assessed ad valorem on the c.i.f. value, plus import

duty, plus IPI. Although importers have to pay the ICMS to clear the imported product through Customs, it is not necessarily a cost item for the importer, because the paid value represents a credit to the importer. When the product is sold to the end-user, the importer debits the ICMS, which is included in the final price of the product and is paid by the end-user.

Effectively, the tax is paid only on the value-added, since the cost of the tax is generally passed on to the buyer in the price charged for the merchandise. The ICMS tax due to the state government by companies is based on taxes collected on sales by the company, minus the taxes paid in purchasing raw materials and intermediate goods. The ICMS tax is levied on both intrastate and interstate transactions and is assessed on every transfer or movement of merchandise. The rate varies among states, with the predominant rate currently 18% in Sao Paulo and 12% in most other states. On interstate movements, the tax will be assessed at the rate applicable in the state of destination.

Some sectors of the economy, such as construction services, mining, electrical energy, liquid and gaseous fuels are exempt from the ICMS tax. Most Brazilian exports are exempt.

The US/Brazil Council of the U.S. Chamber of Commerce has produced a report on tax issues in Brazil and made seven recommendations to the Brazilian Congress for reform. Businesses consistently report that the number and rate of taxes are high compared to other countries and that there is a high degree of repetitive taxing. See additional information below "Major Tax issues affecting U.S. business"

#### Import License Requirements

##### Automatic License

As a general rule, Brazilian imports are subject to the automatic import license, which is granted when the product enters Brazil. All commercial, financial and fiscal information regarding each individual importation as well as information required for the preparation of the Import Declaration (DI) is fed into the SISCOMEX. The Brazilian Foreign Trade Secretariat (SECEX) is the government agency responsible for granting import licenses. Some products and import operations are subject to special requirements, which should be completed prior to customs clearance. These requirements include:

- sanitary or animal health requirements established by the Agricultural Ministry for imports of meat and food products, fish, crustaceans, mollusks, and other sea products, milk, milk derivatives, eggs and honey, other animal origin products, fruits, beverages and several other animal or vegetal products;
- environmental requirements established by the Brazilian Environmental Protection Agency - IBAMA - for natural, synthetic or artificial rubber;
- company and/or product registration numbers for asbestos, agricultural chemicals, pharmaceutical products, perfumes and cosmetics and medical related products.

## Non-Automatic License (LI)

Whenever imports are subject to the Non-Automatic License (LI), the importer must provide the commercial, financial and fiscal information either prior to shipment or prior to customs clearance as follows:

### Prior to Customs Clearance

Products imported under the drawback regime, those which still enjoy the benefits of the BEFIEEX program (a program that granted a number of benefits including import tariff reductions and attractive financing to Brazilian exporting companies. Although the program expired in the late eighties a few companies still benefit from the BEFIEEX), imports from the National Council for Scientific and Technological Development and imports from free trade zones in Brazil are required to obtain the import license prior to customs clearance.

### Prior to Shipment

Products or import operations that are subject to special controls from SECEX or from approvals of other government agencies need to obtain the import license prior to shipment. This includes the following operations and products:

- products subject to import quotas (tariff and non-tariff);
- subject to similarity audit;
- used products;
- products that enjoy import tariff reductions;
- imports that do not involve payment from importer to the exporter (samples, donations, replacement of goods, leasing, rental, foreign investments, temporary admission)
- imports from Iraq;
- products that affect human nervous functions;
- narcotics, psychotherapeutic drugs, etc.;
- products for human or veterinary research;
- weapons and related products;
- radioactive products and rare earth metal compounds;
- crude oil, oil derivatives or other petroleum derivatives;
- anti-hemophilic serum, medications with plasma and human blood;
- products that may be harmful to the environment, as CFC;
- skins and leathers as well as finished products;
- mailing machines, stamp selling machines, as well as parts and pieces;
- airplanes, spatial devices as well as parts and pieces;
- products subject to specific price controls or payment term controls.

When inserting the import documents in the SISCOMEX, the importer will be advised if the non-automatic import license is required. DECEX is the responsible for providing the import license which is normally granted in two days from the request date. The communication between the importer, DECEX and/or government agencies that need to grant an import approval is done through the SISCOMEX.

## Temporary Goods Entry Requirements



On December 31, 1998, Brazilian Customs issued regulation 164 (Instrução Normativa 164) establishing new procedures for imports under the Temporary Admission Program. The program allows for imports of goods for a pre-determined time frame and a clear objective. Under the program, import tax and the Federal tax (IPI) are only charged on products that will be used in the production of other products and involves payment of rental or lease from the local importer to the international exporter. This includes products such as dies, matrixes, sheets and industrial tools. Due taxes are proportional to the time frame the imported product will remain in Brazil.

The import tax applicable on products imported under the temporary admission program is calculated according to the following formula:

Tax = (Federal Taxes in the normal import process TIMES Number of months in which the product will remain in Brazil) DIVIDED BY (12 TIMES the life span of the product - according to Normative Instruction # 162, dated December 31, 1998).

An example is a leasing operation for 12 months of a US\$ 200,000 machine into Brazil, with 10% import tariff and 5% tax over industrial product (IPI). The life span of this hypothetical machine is 5 years. In a regular import operation the due taxes would be as follows:

CIF Price: 200,000

Import Tax: 20,000

IPI: 11,000 (5% over CIF Price + Import Tax)

Payable taxes: US\$ 31,000.

Under the temporary admission program payable taxes would be as follows:

$(31,000 * 12) / (12 * 5) = \text{US\$ } 6,200$  (this includes the import tax and the tax over industrial product).

Special Import/Export Requirements and Certifications  
(Health, Pharmaceuticals, Pre-shipment Inspection).

Regulatory and approval processes to enter the Brazilian Market

Imported products controlled by the Ministry of Health, including pharmaceuticals, vitamins, cosmetics and medical products, can only be sold if:

A) The foreign company establishes a local Brazilian manufacturing unit or local office, fully responsible for its products; or

B) The foreign company appoints a Brazilian distributor, who has the registration with the SVS as an importer and distributor of the types of products being offered. Basically, any product that comes in contact with the human body and could present any health risk falls under these requirements.

Note: Any and all products related to health, applied to the skin, injected into the body or even inserted into the eye (contact lens and cleaning liquids, for example), and any other having a medical application have to be registered with the MOH.

Documents Required of Local Distributors for Product Registration, Importation and Sales in Brazil

a) "Alvará de Funcionamento" - A trading permit granted by the state sanitary authorities. This allows the company to import, distribute, store and sell the product registered with the SVS.

b) "Autorização de Funcionamento" - A permit like the "Alvará de Funcionamento", but granted by the Federal Government.

c) Contract with a qualified technician (such as a chemist, pharmacist, engineer, etc, according to different types of industry). This is called "Terms of Technical Responsibility", signed by the professional. This document can be obtained from the Regional Pharmaceutical Council.

d) Contract with a local Brazilian laboratory to do the quality control certificate for each one of the products to be registered. This laboratory must be an "OCC-Organismo de Controle e Certificação", (Control and Certification Laboratory) an official registered certification organization, registered with the Brazilian Ministry of Health. The company has 12 months to provide this information. The company can use any laboratory authorized by the Ministry of Health.

#### Product Registration

Product registration in Brazil is a laborious exercise, and has to be requested by the local office of the foreign company, or its agent. The registration is valid for five years and can be renewed continuously for the same period. Exceptions are: diet products that are valid only for two years and can also be renewed for an additional 2-year period. The registration process must be completed within 90 days after the registration is requested. The foreign company should take a series of measures in order to guarantee its rights to the registration, including:

\* Apply for registration of the trademark and patent with the INPI - National Industrial Property Institute, through a local law firm.

\* A solid contract with the distributor to protect the manufacturer's rights, including the ownership of its registration with the Ministry of Health. This should be done through a local agent.

\* It is also recommended that the foreign company establish specific clauses on the contract, transferring the ownership of the registration from the agent to the manufacturer, thus minimizing risks. This transference can only occur if the foreign company opens an office or plant in Brazil, since no registration can be transferred overseas. Transfer to another agent is extremely difficult to obtain.

\* Manufacturers have to disclose to the local authorities, through their agents, the quantitative and qualitative formula of their products, which should be patented in Brazil, before the product is introduced into the market, and at the time of registration. This has to be described on the registration document.

#### Types of Product Registration

For registration purposes, SVS classifies the products in the following categories:

1. Drugs: substances for medical or sanitary use (like sanitizing agents).
2. Medicine: curative, preventive or diagnostic pharmaceutical products.
3. Pharmaceutical Raw Materials: drugs or raw materials to be used in medicines
4. Food: Prepared food products
5. Related Products (Correlates): other than the above definitions. The following products and substances used to protect health, for personal hygiene and cleanliness: medical products, cosmetics, perfumes, dietary, dental and veterinary products, insecticides and poisons.

According to Brazilian Law 6360 of 1976 and its addition number 74.094 of 1977 and Administrative Act number 71/96, and other regulations from the Ministry of Health, products that have to be registered, in addition to medical and pharmaceutical items, are:

- \* Cosmetics
- \* Child products (lotions, etc)
- \* Perfumes
- \* Hygiene products

Cosmetic products are classified according to the health risk they may present.

Grade 1 products are products with minimal risk, such as: soaps; shampoos; tooth pastes and deodorants; shaving creams; after shaving lotions; tooth brushes; dental floss; powders; beauty creams; facial masks; beauty lotions; oils; make-up; lipstick; lip pencils and liners; eye products; and perfumes.

Grade 2 products are products that present potential risk, such as: hair colors; hair lighteners; hair perming and straighteners; products for hair and scalp treatment (anti-dandruff shampoos); chemical depilatories; insect repellents; and products for children.

Although the same documentation is required for grade 1 and 2 products, the registration of grade 1 products is much faster and simpler than the registration of grade 2 products.

#### Documentation Needed for Registration

The essential basic documents required from the local agent of the foreign company for the registration of products in Brazil are:

- a) Application form obtained from the Brazilian Ministry of Health;

- b) Original copy of the machine stamped bank slip, which serves as proof of registration fee payment;
- c) Trade Permit ("Alvará de Funcionamento") issued by the State authority to the manufacturer's distributor;
- d) Same type of document ("Autorização de Funcionamento"), issued by the Federal authority to the manufacturer's distributor;
- e) Document showing the technical responsibility of the distributor/manufacturer, issued by the certification entity;
- f) Technical Report on the product, informing the components of the formula, instructions, directions, cautions, etc;
- g) Label sample, brochures, pertinent information about the products, all translated into Portuguese;
- h) For products not clearly mentioned on the Brazilian law, it is mandatory to provide information about their utilization, in order to demonstrate its efficacy and safety;
- I) Copy of the registration granted to the products at the country of origin (or copy of the Free Sale Certificate);
- j) Copy of legal document, by which the manufacturer authorizes its distributor to trade and distribute the products.
- k) If a medical equipment, all documents showing product safety, country of origin, detailed (exploded view) of the equipment inner parts and user manual, have to be presented for registration.

Note: Among the above requirements, special attention should be paid to the TECHNICAL REPORT. This is mentioned on Administrative Act 71/96, and which requires from the cosmetics, vitamin, pharmaceutical manufacturer:

1. The complete description of the product's formula, with all the components specified by their chemical designation, and the quantities of each one of them expressed in the metric system;
2. Inform the function of each component, and its function as integral part of the formula;
3. Name the components according to the Pharmacopoeia Standards, Brazilian and International Compendia or attached bibliography, discussing the component and pertinent literature, including safety rules and efficacy. This information must be translated into Portuguese.

Product registration often takes more than one year. However should the process take longer than three months, importers and producers are allowed to use the protocol number provided by the Sanitary Inspection Secretariat to distribute their products in Brazil. However, by doing so they assume the risk of product liability claims if their products are found to be unsafe by the Secretariat.

According to Brazilian importers, the price for registering a cosmetic product or perfume in Brazil is about US\$ 600, of which US\$ 220 is the cost of the "despachante" (a local agent who is paid to handle the paperwork, submit documents etc.). Medical products vary, depending on specific types of equipment. It is advisable that the local U.S. exporter's representative do use established product registration agents, particularly if the representative is new to the market or does not have adequate knowledge of this process (which can be complicated). U.S. exporters can attain additional information and local contact

agents through ABPVS - Brazilian Sanitary Inspection Professionals Association.

#### New Brazilian Health Administration Agency

On December 31, 1998 the Brazilian President signed a Provisional Measure # 1791, created the new "ANVS - Agência Nacional de Vigilância Sanitária" (National Health Administration Agency) and established a new user fees structure for companies and products registration. However, the government is not yet collecting any new user fees since Congress reduced the published list by as much as 50%, as can be seen on the revised matrix below. Through Instruction #383 of April 28, 1999, ANVS has set May 10, 1999 as the last date the old user fees will be charged. From this date on the local market will start paying the new user fees on new registration, as shown in the matrix. The user fees and new certification rules will affect medical devices and equipment, pharmaceuticals, vitamins and food products, cosmetics, tobacco and certain sanitation products, which have to be compulsorily registered with ANVS prior to sale in Brazil. The local representative of the US company must do this registration of the products.

President Cardoso signed the Presidential Decree #3029 of April 16, 1999, effectively creating the ANVS and regulating a series of other Provisional Measures and Regulations incorporating the recent negotiations with the Brazilian Congress and the local market. The same Decree, published on the Brazilian Official Gazette on April 27, 1999 provides the Internal Regulation of ANVS, with the congressional confirmation that President Cardoso is indicating Dr. Gonzalo Vecina Neto, former Secretary of the old National Secretary of Health Vigilance (SVS) as Director-President of ANVS.

The Congress approved his name, along with some of his assistants and other division managers of the former administration. ANVS is fashioned after the FDA - Food and Drug Administration to substitute SVS - National Secretary of Sanitary Vigilance, instituted by Law # 6360 of 1976. In this new capacity, the new agency has enforcement powers similar to FDA, including cancellation of operation permits for drugs, food and medical product manufacturers and distributors. The Brazilian agency, however, was created as a public company, under a contract to the Health Ministry, therefore still subject to some political interference from the Health Ministry.

According to an initial analysis conducted by ABPVS - Brazilian Regulatory Affairs Professionals Association, the following are the most important changes resulting from the establishment of ANVS:

- a) Establishes a formal separation between ANVS which will be responsible for all sanitary and health inspection and the Ministry of Health, which will now be responsible only for public policies related to health issues;
- b) Grants ANVS the power to temporarily intervene in the administration of public companies supplying products or services in the health sector, and considered exclusive or strategic responsibility of the Brazilian government;

c) Cancels Article 58, of Decree-Law 986/69, which exempted imported foods (sold in its original packaging) from registration with the Ministry of Health. In other words, imported food will now be subject to Ministry of Health registration, as has always been the case with local manufacturers. At the government request, the Brazilian Food Industry Association will be suggesting a list of food additives for colors and preserving food additives which may be exempted from registration;

d) Modifies Article 21 of Law 6.360/76, to state that imported drugs, similar to those manufactured in Brazil, will be automatically registered with the ANVS after 180 days from the date of filing the registration requirement, if ANVS fails to accept or reject the product registration within this period of time;

e) Modifies article 20, of Law 6.360/76 to state that no product without clinically or therapeutically proven beneficial substance in its formula, can be registered with the ANVS;

f) Establishes ANVS approval for production and registration of tobacco products, hitherto not registered with the Ministry of Health. The cost of registration of a new brand of tobacco, for example will cost US\$ 100,000.00 per year;

g) Establishes a new list of registration fees, as outlined below, reviewed by the government in consultation with the industry and effective as of May 10, 1999.

The new legislation defines the following products for which control and registration is mandatory in Brazil:

1. Medications for human use, its active ingredients, and other related materials, processes and technology;
2. Food, including beverages, bottled water, its components, packaging, food additives, organic contamination limits, pesticides and veterinary drugs residues;
3. Cosmetics, personal hygiene products and perfumes;
4. Cleaners, sanitation products for decontamination and hygiene of hospitals, clinics, public transportation and homes;
5. Diagnostic kits, reagents and items for the same purpose;
6. Equipment and materials, devices for hospital, medical, dental, blood banks, laboratory use and image diagnostics;
7. Immunobiological products and their active ingredients, blood and its derivatives;
8. Organs, human and veterinary tissues for transplants or reconstitution;
9. Radioisotopes for in vitro diagnostics, radio-pharmaceuticals and radioactive products used in diagnostics and therapy;

10. Cigarette, cigars and any tobacco product in any form;

11. Any and all products posing any health risks, obtained by genetic engineering, processed or submitted to radiation sources.

ANVS also enforces its regulations on installations, equipment, technologies, environment and procedures involved in all manufacturing phases of the above items production, their disposal and respective residues.

In addition to setting new user fees, ANVS has (in conjunction with the Brazilian Metrology and Norms Institute - INMETRO), decided that electromedical products will have to undergo re-certification in Brazil, prior to sale in certain cases. Please, read a separate IMI: "Medical Equipment Re-certification in Brazil".

The following is the new user fees matrix effective May 10, 1999.

#### CURRENT USER FEE MATRIX FOR REGISTRATION WITH ANVS

ITEM VALIDITY	FEE IN R\$ (REAL)*	
1. Operational Authorization for each type of company		
1.1. Drugs manufacturers Yearly	20,000.00	
1.2. Medical products and equipment Yearly	10,000.00	
1.3. Distributors of drugs Yearly	15,000.00	
1.4. Drugstores, pharmacies, and retail shops of medical/hospital products Yearly	5,000.00	
1.5. Any other Yearly	6,000.00	
2. Alteration or increment to the current Authorization (type of activity, company data, joint venture or incorporation)	4,000.00	N/A
3. Substitution of company's legal representative, technical responsible persons or cancellation of authorizations	Exempt	N/A
4. Good Manufacturing Practices and control for each company's office or manufacturing unit, type of activity and production/supply line		
4.1. In Brazil and in the Mercosul		
4.1.1. Drugs and pharmaceutical products Yearly	15,000.00	
4.1.2. Medical equipment and products Yearly	10,000.00	
4.1.3. Any other related products Yearly	3,000.00	

4.2. Other countries outside of Mercosul	37,000.00	
Yearly		
5. Registration of		
5.1. Cosmetics	2,500.00	5
Years		
5.2.1. Sanitation products - Grade 1 (Minimal) Health Risk	3,000.00	5
Years		
5.2.2. Sanitation products - Grade 2 (Potential) Health Risk	8,000.00	5
Years		
5.3. Medical Devices		
5.3.1. Equipment (nuclear medicine, computer tomographers, magnetic resonance and cineangiocardiac devices)	20,000.00	5
Years		
5.3.2. Other equipment, instruments and diagnostic kits	8,000.00	5
Years		
5.4. Pharmaceuticals		
5.4.1. New drugs (new formulations)	80,000.00	5
Years		
5.4.2. Similar, or existing formulations	21,000.00	5
Years		
5.4.3. Generics	6,000.00	5
Years		
5.5. Food and Beverage	6,000.00	5
Years		
5.6. Tobacco and similar products	100,000.00	
Yearly		
6. Increment or modification on the company's registration		
6.1. Packaging details	1,800.00	N/A
6.2. Formula concentration and dosage	1,800.00	N/A
6.3. Prescription text, labeling and packaging	1,800.00	N/A
6.4. Validity or cancellation	Exempt	N/A
6.5. Any other	1,800.00	N/A
7. Exemption of registration	1,800.00	N/A

The above products will have the following discounts for local based companies in the following cases:

- a) 15% in case of large Brazilian companies (revenues above R\$ 50 million);
- b) 30% in case of medium size Brazilian companies, (revenues up to R\$ 15 million, as defined by Law 9531 of December 10, 1997);
- c) 60% in case of small size Brazilian companies (revenues up to R\$ 720,000.00, as defined by Law 9317 of December 5, 1996);
- d) 90% in case of "micro-size" (usually very small, sole ownership) companies, (revenues up to R\$ 120,000.00, as defined by Law 9317 of December 5, 1996)

\* Note: US\$/Real exchange rate on the revision date (May 14, 1999), is: US\$ 1.00 = R\$ 1.70.

As indicated by this matrix, user fees for medical, pharmaceutical and cosmetics products registration represent a significant increase over



1998 levels. For example, registration of a new drug will cost US\$ 47,058.00 for each product, and must be renewed every 5 years, a huge increase compared to the old fee of US\$ 1,000.00. Registration of products with similar items already in the Brazilian market will be US\$ 12,352.94 and generic products, US\$ 3,529.41, a clear indication that the government is stimulating the development of the generic drugs market in Brazil. The operational fee for a new pharmaceutical industry will jump from the current US\$ 137.50 to US\$ 11,764.70, with compulsory annual renewal. Brazilian industry has reacted harshly to the implementation the new user fees. However, most agree that the new agency is a considerable improvement in regulatory affairs and that ANVS should have its own revenue base.

#### Labeling Requirements

The Brazilian Customer Protection Code, in effect since September 12, 1990, requires that product labeling provide the consumer with correct, clear, precise, and easily readable information about the product's quality, quantity, composition, price, guarantee, shelf life, origin, and risks to the consumer's health and safety. Imported products should bear a Portuguese translation of this information. Since metric units are the official measuring system, products should be labeled in metric units or show a metric equivalent.

The United States Senate Concurrent Resolution No. 40, adopted July 30, 1953, invited U.S. exporters to inscribe, on external shipping containers in indelible print of a suitable size: "United States of America". Although such marking is not compulsory under law, U.S. shippers are urged to follow this procedure in publicizing American-made goods.

#### Registration of U.S. Companies to Export to Brazil

Brazilian regulations also require that all U.S. companies exporting animal origin products (beef, pork, dairy, seafood, poultry, and eggs) must be registered with the Ministry of Agriculture and Food Supply (MAA) before entering the country. MAA also must previously approve all labels of processed products of animal origin, such as cheese, frozen dinners, etc.

#### Prohibited Imports

The Brazilian Government has eliminated most import prohibitions. However, it places special controls on certain imports and prohibits the importation of others, e.g. pleasure boats valued above US\$ 3,500. The importation of used machinery, automobiles, clothing, and many consumer goods continue to be severely restricted. Imports of some used machinery, however, have been authorized under special exemptions. Recent court decisions have challenged the regulation that bans used car imports. Imports of used machinery and equipment to the Manaus Free Trade Zone are subject to more liberal treatment. Please refer to item "Imports Subject to Special Control" in this Chapter for more details.

Warranty and non-warranty repairs:

Products that can be imported into Brazil under the temporary admission program without payment of import and federal taxes are those related to:

- 1) scientific or technical events (shows, exhibitions and congresses);
- 2) projects and researches approved by the National Council of Scientific and Technological Development (CNPq);
- 3) artistic and cultural shows and events;
- 4) sports competitions;
- 5) commercial or industrial trade shows and exhibitions;
- 6) commercial promotion, including samples from company representatives;
- 7) products used by foreign technicians to repair imported products under guarantees;
- 8) to replace other products imported under temporary admission status;
- 9) to temporarily replace imported products under guarantees;
- 10) to process, assemble, renew or refurbish a product imported under temporary admission (Customs requires the existence of a technical service contract);
- 11) for packaging or handling other imported products, whenever these products may be re-utilized;
- 12) to identify, package or handle other products that will be exported;
- 13) to reproduce phonograms and audiovisual pieces, imported as matrixes;
- 14) of temporary activities that are of interest to the agricultural sector including animals for trade fairs and exhibitions, reproduction, veterinary treatment, etc.
- 15) help or save people in cases of calamity or accidents which may affect people or the environment;
- 16) temporary professional activity of a non-resident in Brazil;
- 17) of use of immigrants. (while immigrants wait for the resident visa);
- 18) of use of non resident travelers (personal luggage).

Other products that may be imported duty-free under the temporary admission program include:

- I - vehicles of a non-resident traveler
- II - products for functioning or resistance tests, repairs or refurbishing (these are not defined as economic products because they will not be used in a commercial way and therefore will not result in profits by the end-user. Such products may stay in Brazil for three months).

Products that fall automatically under the duty-free temporary admission program:

- I- vehicles used exclusively for international cargo transportation entering Brazil;
- II- vehicles of non-resident foreign travelers, in areas where Brazil has borders with other countries;
- III- vessels, airplanes and other products in scientific research or investigation at the continental platform or Brazilian waters, authorized by the Brazilian Navy;
- IV- fishing vessels authorized to operate in Brazilian waters by the Agricultural Ministry.

## Guarantees

Products imported into Brazil under the temporary admission program, subject to payment of proportional import duties must provide for a guarantee. Importers of the products listed as not subject to payment of import tariff are required to complete a "commitment document" form (Termo de Responsabilidade), issued by the Brazilian Customs (Annex I), of Customs Regulation 164 in which the importer is subject to penalties in case of non-adherence to the program. The guarantee may be a cash deposit, escrow of federal bond, an insurance policy or a guarantor. In order to protect itself against the non-adherence to the temporary admission program, Brazilian Customs requires a guarantee in the amount of the import taxes that would be applicable in a normal import transaction minus the amount collected with the proportional tax.

Imports from Federal, State or Municipality Government entities, foundations, diplomatic and consular missions or international representation entities of which Brazil is a member are waived of guarantees. Guarantee is also not required if the actual paid tax minus the tax applicable in a normal import transaction is less than R\$ 20,000 (US\$ 1.00 = R\$ 1.75 on July 6, 1999).

## Export Controls

At this time, the U.S. Government maintains no export controls specific to Brazil. Normal controls are maintained on military equipment and high-tech information systems and equipment of a highly sensitive nature. Companies more information on this subject can check with the Trade Information Center: 1-800-USA-TRADE, or the Department of Commerce website: [www.doc.gov](http://www.doc.gov)

## Standards and Conformity Assessment

Brazil uses the metric system of weights and measurements. Scientific and legal metrology is the responsibility of INMETRO, the national metrology lab, who also accredits calibration laboratories in Brazil. Private sector voluntary standards in all sectors are issued by ABNT, Associação Brasileira de Normas Técnicas. In some areas, ABNT bases its standards on those of ISO and IEC and on occasion on U.S. standards. However, Brazil generally accepts U.S. product standards, as well as U.S. product certifications and laboratory testing.

In regulated sectors such as health and telecommunications, the appropriate agencies impose their own requirements, ranging from registration of products and laboratories to mandatory certification with the 3rd party testing done in country. When product certification is required by a government agency, generally the certification body and/or testing laboratory has to be accredited in Brazil by INMETRO. The U.S. Embassy in Brasília maintains an office of the National Institute of Standards and Technology, which can assist in obtaining information on standards. For more information contact INMETRO: Mr. Reinaldo B. Figueiredo, Head of International Affairs, Tel: (021) 502-6531, Fax: (021) 502-6542.

## Free Trade Zones/Warehouses

As of May 1994, there are four free trade zones in Brazil -- Manaus, in the State of Amazonas; Macapá/Santana, in the State of Amapá; Tabatinga, in the state of Amazonas, which borders Peru; and Guajaramirim, in the State of Rondônia, bordering Bolivia. Four other free trade zones are authorized but not yet functioning -- Bonfim and Paracaíma in the state of Roraima, Brasiléia in the State of Acre and Epitaciolândia in the State of Rondônia.

The Manaus Free Trade Zone is the most extensively developed. Decree No. 288 of February 1967 established special incentives for a period of 30 years with the aim of creating an industrial, commercial and agricultural center in the heart of the Brazilian Amazon. The Manaus Free Trade Zone is a 10,000 square kilometer area which includes the city of Manaus, the capital of the State of Amazonas in the north of Brazil. Unlike Manaus, which has special incentives for the establishment of industries, the other zones are only free ports for imports and exports.

The Brazilian Constitution of 1988 endorsed the fiscal benefits of the Manaus Free Trade Zone and extended their applicability to the year 2013. Free Trade Zone status implies that goods of foreign origin may enter into the Manaus free port without payment of customs duties or other federal, state or local import taxes. In addition, the Industrial Products Tax (IPI) on certain commodities and the ICMS sales tax on most items are not applied. With very few exceptions imported products used for processing, re-export or transshipment which are subsequently shipped to other parts of Brazil also qualify for these tax exemptions. The ICMS sales tax is imposed on items produced in the free port when they are shipped out of the free zone into other areas of Brazil.

Law No. 8387 of December 30, 1991, modified the regulations for the Manaus Free Trade Zone by eliminating the previously existing import quota and requiring only that prior notification is made to the Superintendent of the Manaus Free Zone (SUFRAMA). However, in May 1995 the Brazilian Government returned to the import quota system and presently only imports of wheat and petroleum are not subject to quotas.

Manaus Free Trade Zone importers are allowed to supply foreign goods from their stock in Manaus to other parts of the country regardless of quantity. These goods, however, are subject to all duties assessed under normal importation. There is, however, the advantage that the ICMS (Merchandise Circulation Tax) is reduced to only 4 percent.

The Manaus Free Trade Zone was hard hit by the general lowering of tariff and non-tariff barriers. In July 1992 the government announced a series of measures to help the Manaus Free Trade Zone. Each industry must perform certain basic assembly steps in the zone in order to qualify for fiscal incentives. To protect Manaus industries, such as consumer electronics, which are heavily concentrated in the zone, the Tax on Industrialized Products (IPI) was raised by ten percentage points on competing products which are either imported from abroad or produced in Brazil outside the zone. The initial list included stereos, televisions, and VCRs, none of which are produced in Brazil outside the zone. Computers and peripherals were not on the list.

Fiscal incentives for Manaus include exemption from the IPI tax and from tariffs on imported components, reduced tariffs on products shipped from Manaus to the rest of Brazil; reduced state tax (ICMS) on products imported from or exported to the rest of Brazil, up to ten years exemption from federal income tax, and an exemption from import license fees.

The 1992 regulations allowed computer firms to benefit from both fiscal incentives and the change in local content requirements. With special government permission, computer firms, although required to perform much basic assembly in the zone, may be permitted to import circuit boards which use only surface mounted devices.

SECEX import licenses, issued through SISCOMEX, must be issued prior to shipment of goods destined for the Brazilian marketplace. These licenses are additionally subject to authorization by the Superintendent of the Manaus Free Trade Zone (SUFRAMA), the Manaus free zone authority. Commercial invoices and bills of lading must have "Free Zone of Manaus" typed on them, and one of the following statements: "Zona Franca de Manaus para Consumo" (Manaus Free Zone for Consumption) or "Zona Franca de Manaus para Reexportação" (Manaus Free Zone for Reexport).

Brazilian restrictions on the informatics sector no longer apply to the Manaus Trade Zone. A license and an authorization requirement for health/sanitary controls, national security interests, and environmental protection remain in effect.

Each passenger leaving Manaus is allowed a quota of US\$ 2,000 (FOB value) of goods of foreign origin. Products manufactured in Manaus are not subject to the quota.

In addition to the free trade zones, 14 export processing zones have been authorized. The Ministry of Industry, Commerce and Tourism administers them. To date, only four have begun initial infrastructure construction; the remainder is still in the planning stages.

Legislation regarding ZPEs requires that firms operating in the zone export at least 90 percent of production. Up to 10 percent of production can be sold in the domestic market, and is subject to a duty of 75 percent ad valorem on the final price, minus the cost of imported inputs. Normal corporate income taxes apply to profits generated in the zones. Firms operating in the zones will be exempt from foreign exchange regulations and will maintain dollar and local currency accounts. The official Brazilian exchange rate must be used to convert dollar accounts for local purchases. Foreign firms established in the zones may use their own hard-currency resources for tax-free imports of machinery and raw materials from abroad. Firms in the ZPE may not produce goods subject to export quotas. License and authorization requirements remain in effect in ZPEs for health/sanitary controls, national security interests, and environmental protection.

#### Membership in Free Trade Agreements

Brazil is a founding member of Mercosul, the Southern Cone Common Market, a member of the World Trade Organization, and a participant in

negotiations that would establish a Free Trade Area of the Americas by the year 2005.

#### Customs Contact Information

Ministério da Fazenda  
General Coordinator of Customs System  
Clecy Maria Busato Lionço  
Esplanada dos Ministérios, Bloco P, 40 andar  
700.48-900 Brasília, DF  
Tel: (061) 412-3403/04/05/07  
Fax: (061) 412-1537  
Home page: [www.fazenda.gov.br](http://www.fazenda.gov.br)

### VII. INVESTMENT CLIMATE

#### Openness to Foreign Investment

Brazil welcomes foreign investment and has lifted many restrictions in the past several years in order to encourage the entry of foreign investors. The Brazilian Congress approved constitutional amendments in 1995 to eliminate the distinction between foreign and national capital, although some restrictions may return as part of ordinary legislation. The 1962 Foreign Capital law and subsequent amendments govern most foreign investment. Foreign investors have been permitted to invest in the Brazilian stock market since 1991. Gross foreign portfolio investment inflow (Annexes I and IV) increased significantly from \$760 million in 1991 to \$30 billion in 1997 before falling back to \$21 billion in 1998 due to growing investor unease with respect to emerging markets. Gross foreign direct investment annual inflow during the same period increased from \$700 million to almost \$28.7 billion. Overall, since the first full year of the Real Plan in 1995 to April 1999, Brazil registered a gross foreign direct investment inflow of almost \$74 billion (\$68 billion net).

Other constitutional amendments passed in 1995 opened formerly closed sectors, such as petroleum, telecommunications, mining, power generation, and internal transport to foreign investors. Since 1996, the insurance sector has been open to foreign investors and most major U.S. firms are already represented, mainly via joint venture arrangements. In the reinsurance sector, the government plans to privatize monopoly state enterprise the Brazil Reinsurance Institute in late 1999 and to open the market to foreign and domestic competition thereafter. New or expanded foreign investment in the banking sector is technically forbidden by the Constitution of 1988. However, since 1995 entry or expansion has been approved on a case-by-case basis on the basis of national interest, obligations under international agreement, or reciprocity. Foreign banks currently account for about 22% of banking system assets.

As of February 1999, Brazil had realized \$69 billion in sales revenue and another \$16.5 billion in debt transfer as a result of its decade-long privatization program. Federal privatizations accounted for two-thirds of the combined total of \$85.5 billion. Foreign investment accounted for two-fifths of sales revenue with the United States in first place with a 14 percent share in the total. The overall U.S. investment total of \$10 billion (38 percent of this in telecom alone)

accounted for fully one-third of foreign investment in Brazil's privatization program from 1991 to 1998. Primarily reflecting a surge in telecom investment in 1998, Spain was in second place overall with a 12 percent share or \$8 billion. Portugal took third place with a seven percent share and a \$5 billion investment stake. In the telecom area, the U.S. dropped to third place in 1998 with a 14 percent share in the sectoral sales total of \$27 billion. Spain took first place in this sector with a 19 percent share and Portugal was third with a 16 percent share.

All foreign investment must be registered with the Central Bank (see Conversion and Transfers Section in this chapter). With certain exceptions, registration is a pro forma matter. The certificate of registration issued by the Central Bank permits remittances of profits and repatriation of invested capital without additional Central Bank authorization.

Non-governmental groups in Brazil do not regard foreign investment as a major issue. Brazil has a strong nationalistic element, however, and the degree of foreign investment in the state-owned petroleum and telecommunications monopolies remains controversial for some. Unions representing workers in these areas have also opposed privatizing these sectors. It is not uncommon for privatization auctions to be held up for some time by judicial proceedings. However, the government has proven itself adept at dealing with such challenges and delays have not proven onerous. At present, there is some debate as to what limit, if any, to impose on foreign investment in Brazil's mass media.

Brazil has witnessed a significant market opening in recent years. On occasion, the government has also demonstrated a willingness to backtrack. Brazil's applied tariff rights are considerably lower than their bound rates. Brazil currently maintains no applied tariff rates in excess of 35 percent. Tariffs under Mercosul's Common External Tariff system (TEC) were increased in November 1997 by 3 percent, except for energy and agricultural inputs. Many capital goods exported by the United States have been granted a flat 5 percent import tariff under a special regime. Sharp restrictions on short-term import finance were imposed in April 1997, ostensibly to correct financing distortions due to the large gap between domestic and international interest rates, also raised the cost of importing. These were eliminated for all practical purposes in April 1999.

In December 1995, the Government issued revised regulations establishing investment incentives in the automobile sector -- including a 50 percent reduction in import duties on automobile imports by manufacturers with production facilities in Brazil. However, this regime is scheduled to disappear by January 1, 2000.

#### Right to Private Ownership and Establishment

Foreign and domestic private entities may establish, own, and dispose of business enterprises. In some circumstances however they may be subject to more restrictions than domestic private entities. (See Openness to foreign investment, and conversion and transfer policies sections in this chapter.)

## Protection of Property Rights

Patents -- The Industrial Property bill, approved by the Brazilian Congress in April 1996, and signed into law in May 1996, will significantly improve Brazil's existing regime for the protection of patents and trademarks. In most respects, the new law, which went into effect in May 1997, brings Brazil's patent and trademark regime up to the international standards specified in the Uruguay Round Trade Related Aspects of Intellectual Property (TRIPS) Agreement.

The law provides patent protection for chemical/pharmaceutical substances, chemical compounds and processed food products, which were not patentable under Brazil's 1971 Industrial Property Code. The new law also provides for the patentability of genetically altered microorganisms. In addition, the new law extends the term for product patents from 15 to 20 years and improves protection for trademarks, including for internationally "famous" marks. The law provides for "pipeline" protection, effective immediately, for pharmaceutical, chemical and processed food products that have been patented in other countries but not yet placed on any market. Processing of "pipeline" patents has proceeded slowly.

The new Industrial Property law includes compulsory licensing and local working requirements which appear to be TRIPS-inconsistent. The law would theoretically permit the grant of a compulsory license if a patent owner has failed to work, i.e. locally manufacture, the patented invention in Brazil within three years of issuance. There is an exception for cases in which local production would be "economically non-viable," in which case imports would be recognized as working.

Brazil is a signatory to the GATT Uruguay Round Accords, including the Trade Related Aspects of Intellectual Property (TRIPS) Agreement, signed in April 1994. Following passage of copyright and software copyright protection legislation in 1998, pending legislation on the protection of layout designs of integrated circuits is expected to bring Brazil's intellectual property rights regime in these areas up to TRIPS standards.

Brazil is a member of the World Intellectual Property Organization (WIPO) and a signatory of the Bern Convention on artistic property, the Washington Patent Cooperation Treaty, and the Paris Convention on Protection of Intellectual Property. In August 1992, Brazil removed its reservations and fully accepted the Stockholm revision of the Paris Convention.

Trademarks-- The fraudulent use of internationally "famous" marks has been a significant problem in Brazil. However, progress has been made in this area as Brazil has taken action in the last four years to provide greater protection for such marks. Some foreign firms have been successful in court actions against trademark infringement.

The new Industrial Property Law provides for significant improvements in Brazil's trademark regime, including better protection for internationally known trademarks. Trademark licensing agreements must be registered with the National Institute of Industrial Property (INPI) to be enforceable; however, the failure to register licensing



agreements will no longer result in cancellation of trademark registration for non-use.

Copyrights: Brazil's copyright law generally conforms to world-class standards, although amendments are needed to address parallel imports. The new software copyright protection law contains amendments that would introduce a rental right and an increase in the term of protection to 50 years.

Despite the government's recent efforts to stem the flow of pirated goods across the border with Paraguay, enforcement of copyright laws has generally been lax. The U.S. private sector estimates that piracy of videocassettes, sound recordings and musical compositions, books and computer software continues at substantial levels. In the last three years, enforcement of laws against video and software piracy has improved, and foreign firms have had some success in using the Brazilian legal system to protect their copyrights. For example, a major U.S. software firm won a landmark decision against software pirates in 1993. The Government of Brazil has also initiated action to reduce the importation of pirated sound recordings and videocassettes.

Integrated Circuit Layout Designs -- A government drafted bill to provide protection for the layout design of integrated circuits (computer mask works) was introduced in the Brazilian Congress in April 1996. For information on Investment issues related to free trade zones, please see information under section "VI, Trade Regulations, Customs and Standards".

#### Major Taxation Issues Affecting U.S. Business

Profit and dividend remittances are subject to a 15 percent income withholding tax. Brazil has no double taxation treaty with the United States, but does have such treaties with a number of other countries. The United States and Brazil have discussed resuming negotiations on a bilateral taxation agreement but this has been postponed indefinitely. Please note, as stated above that U.S. business is particularly concerned about some of the stringent tax and revenue restrictions on operations in Brazil. The US/Brazil Council of the U.S. Chamber of Commerce can provide additional information on these issues.

It is also very important to perform rigorous proper due diligence in any business investment, especially related to the privatization process and especially in respect to tax liabilities. Several U.S. Companies have found themselves confronted with tax liabilities, often in back taxes, that they did not fully account for in their due diligence process because of lack of clarity. Ideally, a specific opinion should be obtained from the Receita Federal (the Brazilian IRS) on all outstanding tax issues before purchase investments are made.

#### Performance Requirements/Incentives

The government has been working for several years with the automobile industry to develop a formula for reducing certain import duties as a reward for exports containing a specific local content percentage. The automobile industry has been pressing for relief from various taxes in

return for promises of increased investment and exports. In June 1995, the government announced a reduction on tariffs on imported inputs and accelerated depreciation provided that the value of the imports does not exceed 60 percent of domestic sales. The regulations, which will expire in December 1999, provide for a 50-percent reduction in import tariffs on automobiles imported by manufacturers with production facilities in Brazil.

Geographic preferences consist of tax benefits for investment in less developed parts of the country, such as the Northeast and the Center-West, with equal application to foreign and domestic investors. These benefits have had little impact on foreign investment decisions; most foreign investment remains concentrated in the more industrialized southern part of Brazil. Some municipalities provide land on favorable terms for industrial development.

In firms employing three or more persons, Brazilian nationals must constitute at least two-thirds of all employees and receive at least two-thirds of total payroll. Foreign specialists in fields where Brazilians are unavailable are not counted in calculating the one-third permitted for non-Brazilians.

Brazil offers the following export incentives:

- Tax and tariff exemptions for equipment and materials imported for the production of goods for export;
- Excise and sales tax exemptions on export products;
- Excise tax rebates on materials used in the manufacture of export products;
- Withholding tax exemption for remittances overseas for marketing and for loan payments; and,
- Financial operations (IOF) tax exemption for deposit receipts on export products.

Brazil offers the following investment incentives:

- Accelerated depreciation on new machines and equipment for industrial production;
- Income tax deduction for expenses of feeding workers and providing transportation;
- Income tax deduction for cultural donations/sponsorships; and,
- Value-added tax deductions for R & D spending in the telecommunications sector in Brazil.

The Special Agency for Industrial Financing (FINAME) of the National Bank for Economic and Social Development (BNDES) provides financing for purchases by Brazilian firms of Brazilian-made machinery and equipment -- capital goods with a high level of domestic content.

#### Transparency of the Regulatory System

Labor law, especially, has been a target for reform recently. Change is difficult, however, because many of the elements most criticized have been enshrined in the Constitution of 1988. The more rigorous requirements for amending the Constitution make change a long, difficult process. In addition, many defend these constitutionally defined "rights" as legitimate conquests by the labor movement.

Elements of labor legislation most frequently criticized include: a) mandatory and extensive benefits; b) high non-wage payments by employers to support these benefits; c) a mandatory tax on employers and workers to support a government-defined union structure; d) restrictions on union organization (some of which have eased in recent years); and e) the labor courts system.

At present, at the request of either one of the interested parties, the labor courts serve as compulsory arbitrators, determining salaries and working conditions in collective bargaining disputes. The current Labor Minister favors reducing this role of the courts to encourage negotiated rather than imposed wage settlements. He also favors amending the Constitution and the laws so that these "rights" could be included in collective bargaining agreements. The Minister also wants to end restrictions on union organization and the so-called "union tax" which requires all workers to contribute a portion of their salaries to support the union structure.

Greatly reduced inflation virtually has eliminated pressures on businesses to make frequent salary adjustments, and government efforts to control salary levels have ended. In July 1995 the government issued a decree ending the indexation of wages and salaries, and leaving salary increases to annual bargaining between employers and unions. Since the decree, most wage settlements have barely covered the rate of inflation, indicating that the government has severed the link between inflation and salary increases. When the devaluation of the Real in early 1999 incited fears of renewed inflation, the union movement proved extremely reluctant to press for the reimposition of wage indexation.

#### Corruption

Corruption is a persistent problem in Brazil. Transparency International, a non-governmental organization based in Berlin, listed Brazil as the 46th most corrupt of 85 countries listed in its 1998 Corruption Index, a survey of international business perceptions. In a show of good faith, Brazil has worked constructively with the U.S. and other countries in the hemisphere in developing the Inter-American Convention on Corruption. Brazil signed the Convention, which calls on signatories to pass legislation criminalizing corruption, in 1996. Brazil is a signatory of the 1997 OECD Bribery Convention, which has yet to be ratified in their Congress.

A number of Brazilian NGOs have emerged to work for further progress in this area. Brazil has many laws against corruption but enforcement is weak. Because of traditional state domination of the economy with many large parastatals in key sectors, opportunities for corruption have always been plentiful. However, times are changing with many state enterprises already privatized or slated for privatization and public tolerance of political or business corruption clearly declining. The Government is also moving to deregulate many areas of the economy, which should diminish opportunities for corruption.

#### Labor

There is growing recognition that the Brazilian educational system has failed to adequately prepare the workforce for future economic growth. Regional disparities are profound in terms of the availability of skilled and semi-skilled workers. Regional disparities are also apparent in regard to illiteracy, which, according to 1990 Brazilian Institute of Geography and Statistics (IBGE) statistics, stands at 23.3 percent of the population -- with 14.7 percent illiteracy in the Southeast (including Rio and Sao Paulo) and 42.6 percent in the Northeast (including Recife and Salvador). Functional illiteracy is higher than the noted rates.

Brazil's work force numbers approximately 70,000,000 persons, but roughly half of that number work in the informal economy. IBGE calculates an average unemployment rate for the country based on data taken monthly from Brazil's six largest metropolitan areas. IBGE's survey showed that the average unemployment for these areas during 1998 was 7.75 percent, a substantial increase over the low of 3.8 percent registered in 1996.

The number of strikes in 1998 decreased slightly during 1998 as Brazil had an average of 85 a month against more than a 100 a month in 1997. Given rising unemployment, most strikes have been over jobs and companies' plans for downsizing.

Brazil has ratified the ILO Convention on workers' rights, and those rights are respected scrupulously, if grudgingly. Labor unions, especially in the most skilled sectors, such as metalworking and banking, tend to be well-organized and aggressive in defending wages and working conditions. Unions have organized most sectors of the economy and in general do an excellent job of ensuring respect for workers' rights. In addition, workers may pursue their grievances through a system of labor courts that blanket the country.

Until recently, labor relations were dominated by a conflict approach. Both management and labor would stake out extreme positions and defend them as long as possible. The ultimate decision on salaries, job tenure, and other areas would be imposed by the labor courts, rather than through negotiated compromises between labor and management. The current Labor Minister has advocated a more negotiation-oriented approach, and is seeking changes in Brazilian labor laws to facilitate direct labor-management negotiations, and to deregulate and limit labor courts rule-making authority.

#### Efficiency of Capital Markets and Portfolio Investment

Brazil opened its market to foreign portfolio investment in 1991. The Brazilian financial sector is large and sophisticated. Perennially high real interest rates and a reluctance of banks to lend for more than six months has meant that few businesses, either foreign or domestic, have been able to borrow locally. Instead, companies doing business in Brazil normally seek to borrow from abroad to take advantage of lower interest rates and availability of longer term capital. Larger firms in particular enjoyed increasingly narrower spreads and longer tenors as perceived "Brazil risk" dropped prior to the onset of the Asian Financial Crisis in late 1997. Since that event and particularly following the Russian default in August 1998, access by top-tier Brazilian firms to international capital markets has been

constrained, requiring firms to accept shorter tenors and more costly financing. Following the January 1999 decision to move to a floating rate regime, access to international capital markets for first-line firms has improved but pricing is still well above pre-Crisis levels.

With the introduction of the new currency, the "Real," in July 1994, monthly inflation dropped from 50 percent in June 1994 to only two percent for all of 1998. The disappearance of so-called "float income" due to high inflation caused the banking sector to enter a period of consolidation in 1995. The share of the financial sector in GDP consequently dropped sharply from almost 16 percent in 1993 to fewer than seven percent by 1995. Brazil had 233 banks as of December 1998, down 40 institutions from June 1994. The number of federal banks stayed stable at six, but the number of state banks dropped by ten to 24. The number of private national banks fell by 41 to 106, while the number of foreign affiliates stayed the same at 19. Reflecting a wave of acquisitions in recent years, the number of foreign controlled banks surged by 17 to 36 in the four and a half-year period.

Banks expanded credit operations rapidly following commencement of the stabilization policy in mid-94. However, fearing a consumption boom, Brazil's Central Bank imposed high compulsory reserve requirements that were later eased in the second half of 1995. At the same time, borrowers, unaccustomed to a low inflation environment, over-borrowed and subsequently fell behind in payments due to high interest rates. For their part, some banks proved unable to judge credit risk well and suffered rising default rates as a result, particularly via mass merchandiser clients who increasingly extended credit directly to clients.

Due to these factors and the loss of "float income", estimated at US\$ nine billion in 1993 alone, domestic banks began to experience liquidity problems and 1996 and 1997 were marked by a series of failures, mergers, and acquisitions. Three of the country's ten largest banks failed and were taken over by other banks and some 20 smaller banks have been liquidated. Individual state banking institutions in particular are burdened with large amounts of unserviced debts owed by state governments and many are in poor financial health. Of 33 state banking institutions, an estimated two-thirds will be liquidated, privatized, or transformed into development agencies. Bank profits increasingly depend on arbitrage operations, i.e., borrowing overseas at lower rates to re-lend in Brazil and high spreads (over 20 percent on an annual basis) between what banks pay depositors and what they charge borrowers. Banks are also relying more on fee income for revenues and seeking to contain costs while expanding customer services.

#### BRAZIL'S TEN LARGEST BANKS

Public and private  
(US\$ Billions)  
(December 1998)

BANK	Total Assets	Total Net Deposits	Worth
Banco do Brasil	101.3	44.2	5.4
Federal Savings Bank	98.9	52.1	3.0

BNDES	67.8	0.3	9.1
Bradesco	41.5	21.3	5.3
Itau	32.7	19.6	3.8
Unibanco	21.6	7.7	2.4
Banespa	20.4	8.8	3.4
Real	13.6	4.3	0.8
Banrisul	12.9	3.4	N/A
Safra	12.4	2.6	0.8

Source: Central Bank

Notes. Conversion from domestic currency values at the average 1998 real/dollar exchange rate of 1.1603. Dollar values in 1999 will be considerable reduced to the devaluation of the domestic currency in January. Bradesco, Itau, Unibanco, and Safra are private banks. Banco do Brasil, the Federal Savings Bank (Caixa Economica Federal), and the National Bank for Economic and Social Development (BNDES) are federal banks. Banespa is the Sao Paulo state bank and is scheduled for privatization in 1999. Banrisul is the state bank of Rio Grande do Sul.

Few corporations raise capital through the Brazilian stock exchanges. In 1998 20 new issues in the primary market raised US\$ 3,484 million and turnover in the secondary market was US\$ 172,500. Trading is highly concentrated in a very few stocks. 586 companies are listed on Brazilian exchanges; however, the shares of former state-owned telecommunications company, Telebras, accounts for over 50 percent of volume. State-owned petroleum company Petrobras, state-owned electric company Eletrobras and recently privatized Sao Paulo State telecom company TELES P together account for about 18 percent of trading activity on the Brazilian exchanges. Brazilian firms are also listing on the NYSE via American Depositary Receipts (ADR's). Examples include Telebras, Unibanco, Gerdau and Brahma Breweries.

The Brazilian Securities Exchange Commission (CVM) directly regulates the stock exchanges, brokers, distributors, pension funds, mutual funds, and leasing companies. The CVM follows the policies set by the National Monetary Council and the Central Bank. Foreigners can only participate in the Brazilian securities market through a management company authorized by the CVM.

A president and four directors, appointed by the President and subordinate to the Finance Minister administer the CVM. Legislation establishing the CVM (enacted in 1976) empowers it to supervise the activities and services of the securities market and impose fines to punish infractions. In general, enforcement is regarded as weak. CVM authorization is required before securities exchanges can start operations.

The CVM has acted to open the capital market both internally and for foreign institutional investors. New types of securities have been authorized. At present, up to two-thirds of a corporation's capital may be preferred (non-voting) shares, so it is possible to achieve majority control of voting shares, in some cases, by holding only 17 percent of total capital. Accords have been signed with the Argentine and Uruguayan stock exchanges to permit joint trading.

The Government of Brazil admitted foreign portfolio investment by institutions via Resolution 1832 of May 31, 1991. Foreign portfolio investors, institutions, and funds must be registered with the CVM. Previously, institutional investors could not invest directly, but only via an investment fund established abroad. An individual must invest a minimum of US\$ five million. No longer must funds remain in the country for a minimum period before being repatriated. The dividend remittance tax is 15 percent. The following table shows the significant growth in foreign portfolio investment since the opening:

Portfolio Investment  
in Brazil  
(US\$ MILLIONS)

YEAR	INFLOW	OUTFLOW	NET
1994	21,769	16,820	4,949
1995	22,672	20,676	1,996
1996	25,190	19,320	5,870
1997	37,887	31,729	6,158
1998	26,504	24,547	1,957
1999	5,306	4,445	861 (Jan-Apr)

Note. Portfolio investment defined as Annexes I to V.  
Source: Central Bank of Brazil

In mid-1991, foreign investors were permitted to invest in Brazil via American and international depository receipts (ADRs and IDRs), i.e. securities issued abroad based upon Brazilian shares deposited with a financial fiduciary institution. Permission for firms in Brazil to place commercial paper in international markets was granted in mid-1990 and has been much used as a cheaper source of financing than the high real rates and short-terms available in Brazil. Rules allowing swaps and hedges were issued in 1992. Resolution 1935 of June 30, 1992, authorized foreign institutional investors to trade on the futures and commodities market (BMF) futures and options contracts based on stock indices, interest rates, and exchange rates.

Leasing operations are extensively used and export financing by other governments is sometimes available for goods being imported into Brazil.

BNDES, the government national development bank, is the primary Brazilian source of longer-term credit. BNDES has traditionally limited its financing to Brazilian firms, but may consider loans to foreign firms, particularly for modernization and environmental purposes, particularly if BNDES' own source for such funds is foreign, e.g., the World Bank or Inter-American Development Bank or a bilateral official financing program. The first such loan to a multinational company was approved in June 1992.

FINAME (Special Agency for Industrial Financing) provides foreign and domestic companies operating in Brazil financing for the manufacturing and marketing of capital goods. In 1998 the program disbursed R\$ 8.6 billion. BNDES-exim (Export Financing) is a part of FINAME, which

finances capital and consumer good exports and services associated for both foreign and domestic companies. An export credit program for capital and some consumer durable goods, known as PROEX, was established in 1991. PROEX receives funds from the National Treasury to offer assistance in the areas of interest rate equalization, capital and other goods exports, and service exports. Its operations have recently been strengthened and expanded by the Government in an effort to stimulate exports. It is managed by Banco do Brasil.

Wholly owned subsidiaries of multinational accounting firms, including the major U.S. firms, are present in Brazil. Changes in indices used to correct for inflation have, at times, made normal accounting practices more difficult and given rise to legal challenges. The failure of major banks and large businesses during 1995, notwithstanding positive financial statements prepared by the major accounting firms, raised doubts about the credibility of these financial statements. Beginning in 1996, auditors have been personally liable for the accuracy of accounting statements prepared for banks.

The government legally ended the reinsurance monopoly in late 1996. With the completion of work by private consultants to value the Brazil Reinsurance Institute (IRB) and to recommend a privatization model, the firm is scheduled to be privatized in late 1999 and the reinsurance market opened to foreign and domestic competitors. U.S. and European firms have expressed concern with certain of the proposed regulations that will govern the reinsurance market in Brazil following privatization of IRB. Chief among these are a proposed \$20 million collateral fund, limits on the ability of primary insurers to reinsure with foreign firms, and the portion of the market to be reserved for firms locally established in Brazil during an initial two-year transition period following the auction of IRB.

Brazilian law recognizes mergers, in which one company loses its separate identity by being merged into another, and consolidations, in which the pre-existing companies are extinguished and a new entity emerges. The procedures for both are essentially the same. Sales of Brazilian companies usually result from private negotiations, rather than stock exchange activities. Acquisitions resulting in market concentration in excess of 20 percent are subject to review by the Administrative Council for Economic Defense (CADE) under Brazil's 1994 Anti-trust Law.

#### Conversion and Transfer Policies

There are few restrictions on converting or transferring funds associated with an investment. However, the Central Bank has broad administrative discretion in regulating remittances, which in the past has created problems for foreign investors. At this time, foreign investors may freely convert Brazilian currency in the foreign exchange market.

Foreigners investing in Brazil must register their investment with the Central Bank Foreign Capital Registration and Supervision office (FIRCE). Investments involving royalties -- including franchises -- and technology transfer must be registered with the patent office (INPI) as well as with FIRCE. Registration with the Central Bank



should be requested within 30 days of the inflow of resources to Brazil.

FIRCE has worked to eliminate registration delays and its regulations now call for approval within 30 days. If an application is not acted upon, approval is now automatic at the expiration of this period. The Central Bank also registers leasing contracts and offers certain more favorable treatment for longer periods.

Foreigners investing in Brazil, who have registered their investment with the Central Bank, are able to remit dividends, capital, and royalties, provided that applicable taxes have been paid and certain other conditions met. This remittance transaction may be carried out at any bank by presenting the certificate of registration and showing that any applicable taxes have been paid. Profit/dividend remittances also require the submission of a balance sheet showing the profit realized. The bank arranging the remittance must check that all requirements have been met and enter the remittance in the Central Bank computer system. The procedure is the same for registering and remitting of principal and interest on loans in the private sector. Remittances of capital gains require specific Central Bank approval.

In January 1992, the Central Bank revoked a 1981 instruction which had impeded remittances that stemmed from financial rather than operational profits and which, under certain circumstances, prevented registration of reinvestment stemming from financial profits. Firms are now free to reinvest any excess working capital and to treat financial profits the same as operational profits.

Loan Payments-- Since January 1991, private firms have been allowed to pay external creditors directly. Previously, these payments were made to the Central Bank and retained there to the detriment of creditors. For foreign loans, bonds, commercial paper, etc., favorable income tax treatment is given on remittance of interest and other charges, provided the funds remain in Brazil for 30 months.

Royalties-- There has been a relaxation since 1991 of the restrictions on the remittances of royalty payments for patent and trademark use between subsidiaries established in Brazil and the parent office headquartered overseas and on remittances of franchise contract royalties. A 1992 resolution simplified procedures and, in particular, eliminated a number of requirements (but not all) concerning technology transfer agreements. No royalties or other fees may be transferred between related companies for the use of software.

Under the provisions of a 1991 law, royalties for the use of patents and trademarks, and remuneration for technical, scientific, administrative or other assistance paid by the Brazilian subsidiary to an individual or entity domiciled overseas that directly or indirectly controls its voting capital has now become deductible, with some limitations, for purposes of determining taxable profits. Deductions are subject to the requirement that the parties sign an agreement that must be approved by INPI and registered with the Central Bank. The provision applies to contracts signed subsequent to January 1992. The law also permits remittance payments for trademark or patent licenses by a subsidiary established in Brazil to its controlling company overseas.

While the provision governing subsidiaries has been liberalized, branches (as opposed to subsidiaries) of foreign firms do not benefit from the law. Thus, a prohibition remains in effect on making either tax deductions or remittances for payment of royalties for trademark and patent licenses in those cases when the contract is between the branch in Brazil and the parent company headquartered overseas. Transfer of trademark fees is limited to one percent of turnover. In addition, legislation pre-dating the December 1991 changes and applying to both foreign and domestic firms, limits royalty deductions to 5 percent of product sales.

The remittance of franchise royalties requires prior action by INPI. Until July 1992, INPI did not recognize franchise contracts, and required separate contracts for trademarks, technical assistance services and technology transfer. In June 1992, INPI issued a regulation which recognizes that the above are contained in franchising contracts and, on a case-by-case basis, will approve the contracts for the payment of franchise royalties.

Remittances related to technology transfers are subject to the tax on credit, foreign exchange, and insurance (IOF). The IOF tax that had been imposed on software royalty remittances was eliminated in late 1994.

Taxes-- Profit and dividend remittances are subject to a 15 percent income withholding tax. Repatriations are exempt from income tax. Brazil has no double taxation treaty with the United States, but does have such treaties with a number of other countries. The United States and Brazil have discussed resuming negotiations for a bilateral tax treaty.

Identification-- the name of the person carrying out the transaction and the purpose must be provided for all foreign exchange transactions into or out of reais above \$10,000 in value.

OPIC Inconvertibility Claims-- In the event OPIC must pay an inconvertibility claim, the U.S. Embassy and other USG agencies operating in Brazil have an annual need for approximately \$60 million in local currency. Now entering the sixth year of its most successful stabilization program, Brazil has had a history of high inflation since the 1970's and this and frequent devaluations have been a traditional part of doing business here for many years. Government attempts to bring down the inflation rate have included the issuance of new currencies, with five different issues making their debut in the past decade. The fifth, the "Real", was introduced on July 1, 1994 and has proved the most durable of the lot thus far.

#### Expropriation and Compensation

There have not been any expropriatory actions in Brazil in the recent past nor any signs suggesting that the government is contemplating such actions. Some claims regarding land expropriations by state agencies many years ago have been judged by courts in U.S. citizens' favor. However, there remain individuals have not yet been compensated because the states have appealed these decisions. In other cases, U.S. firms have encountered lengthy court and administrative delays in seeking to

collect funds owed them by government entities, e.g., for overpayment of taxes.

#### Dispute Settlement, Including Enforcement of Foreign Arbitral Awards

Brazil is not a member of the International Center for the Settlement of Investment Disputes (ICSID - also known as the Washington Convention) nor of the New York Convention of 1958 on the recognition and enforcement of foreign arbitration awards.

In September 1992, the Administration sent to the Congress for approval of the text of the Interamerican Convention on International Commercial Arbitration, which Brazil signed in January 1975, as well as the 1979 Interamerican Convention on the Extraterritorial Efficacy of Foreign (Judicial) Decisions and (Arbitral) Awards (Sentenças e Laudos).

Brazil has signed Bilateral Investment Agreements which permit arbitration by either ICSID or a panel set up under the United Nations Rules for International Commercial Law. Legal experts doubt that such arbitration provisions would apply if the Government of Brazil, or another government entity, was one of the parties to the dispute.

Arbitration clauses in contracts are not enforceable as such. Foreign arbitration awards require confirmation by a court of the country in which rendered and the Brazilian Supreme Court. Binding arbitration between foreign investors and state entities is apparently prohibited on the grounds that it infringes the sovereign rights of the state.

Brazil has a functional commercial code that governs most aspects of commercial association, except for corporations formed for the provision of professional services, which are governed by the civil code. Bankruptcy laws provide for creditors' rights. An overburdened court system is available for enforcing property rights; decisions take years. Decisions of the Supreme Federal Tribunal are not automatically binding on lower courts, leading to more appeals than would otherwise occur.

#### Political Violence (as it may affect investments)

There were no reports of politically motivated damage to foreign investors' projects or installations. Significant but decreasing human rights violations, however, continues to occur throughout Brazil. In urban areas, the police are frequently implicated in killings and abuse of prisoners, and are rarely charged and convicted. In rural areas, powerful landowners, often aided by police serving as their private security agents, use violence to settle land disputes and influences the local judiciary.

#### Bilateral Investment Agreements

Brazil has signed Bilateral Investment Agreements (BITs) with 14 countries and completed negotiations on two regional Mercosul agreements since 1994. National signatories include Portugal, Chile, the United Kingdom, Switzerland, Finland, France, Italy, Denmark, Venezuela, Korea, Germany, Cuba, the Netherlands, and Belgium-Luxembourg. There are two Mercosul investment-related agreements: the Buenos Aires Protocol ("extrabloc") and the Colonia Protocol

("intrabloc"). Negotiations are reportedly underway with other countries, including Norway, Spain, Sweden, and China. Both houses of the Brazilian Congress have yet to ratify any of the investment treaties negotiated by the government although at least three have passed Lower House committees.

#### OPIC and Other Investment Insurance Programs

Programs of the Overseas Private Investment Corporation (OPIC) are fully available and activity has increased in recent years. The size of OPIC's exposure in Brazil may occasionally limit its capacity for new coverage, particularly in the area of currency convertibility insurance.

Brazil became a member of the Multilateral Investment Guarantee Agency in 1992.

#### Capital Outflow Policy

There are few restrictions on converting or transferring funds associated with an investment. However, the Central Bank has broad administrative discretion in regulating remittances, which in the past has created problems for foreign investors. At this time, foreign investors may freely convert Brazilian currency either at the "commercial" or "floating" rates. (Refer to Chapter VII, Conversion and Transfer Policies Section for further details.)

There has been a relaxation since 1991 of the restrictions on the remittances of royalty payments for patent and trademark use between subsidiaries established in Brazil and the parent office headquartered overseas and on remittances of franchise contract royalties. A 1992 INPI resolution simplified procedures and, in particular, eliminated a number of requirements (but not all) concerning technology transfer agreements. No royalties or other fees may be transferred between related companies for the use of software. (Refer to Chapter VII - Royalties Section for further information.)

#### CAPITAL OUTFLOW FROM BRAZIL 1992-1999 (US\$ millions)

YEAR	NET OUTFLOW
1992	2,328
1993	9,282
1994	18,480
1995	23,707
1996	20,559
1997	35,912
1998	36,290
1999	7,368 (Jan-Apr)

Source: Central Bank of Brazil.  
Capital outflow total equals Portfolio + Direct Investment + Funds.

#### Major Foreign Investors in Brazil

As of December 1998, the United States was the largest single foreign investor in Brazil followed by Spain, Germany, Japan, and France. Investment from the Cayman Islands began growing rapidly in 1995 and is thought to represent mainly repatriation of Brazilian capital entering the country as foreign investment and, to a lesser extent, investment activity by other national groups. Investment from Spain and Portugal surged in 1998 due to involvement in telecom privatization and greatly increased investment in the banking sector by Spain.

According to a study of Central Bank statistics carried out by the Brazilian Studies Center for Transnational Companies and Economic Globalization (SOBEET), the stock of direct foreign investment in Brazil stood at US\$ 130.7 billion as of December 1998. Of this, the United States reportedly had the largest share at about 30% or about US\$ 39 billion. Spain had 8.4% of the total or US\$ 10.9 billion and Germany 8.1% or US\$ 10.5 billion.

Four U.S. companies -- GM, Ford, Texaco, and Exxon -- are among the top ten domestic firms. Six of the top ten importing firms in 1998 were foreign: Fiat, General Motors, Mercedes-Benz, Ford, and Ericsson Telecommunications. Four of the top ten exporters -- Fiat, Ford, General Motors, and Volkswagen -- represented foreign investment.

#### Brazil's Contact Information for Investment-related Inquiries.

Questions regarding investment norms should be addressed to the Department of Foreign Capital of the Central Bank of Brasil - FIRCE, at the following addresses:

##### BANCO CENTRAL DO BRASIL

Departamento de Capitais Estrangeiros - FIRCE  
SBS - Quadra 3 - Bloco B - Ed. Sede - 70 andar  
70074-900 Brasilia - DF  
phone # 55 61 414 1380  
fax 55 61 226 3441

##### NATIONAL BANK OF ECONOMIC SOCIAL DEVELOPMENT - BNDES

República do Chile, 100/Room 1120  
20139-900 - Rio de Janeiro - RJ  
Phone: (5521) 277-7001  
Fax: (5521) 533-1538  
José Pio Borges, President  
José Mauro Carneiro, Vice President  
Fernando Perrone, Infrastructure Director  
Sallustio Rosa, Financial Assistant  
Phone: (5521) 277-7399  
José Luis Osório, Privatization Director  
Phone: (5521) 277-8061/8062  
Fax: (5521) 240-3890

##### RIO DE JANEIRO STATE SECRETARIAT OF ECONOMIC AND TOURISM DEVELOPMENT

Rua da Ajuda, 5, 7 andar  
20040-000 Rio de Janeiro, RJ  
Tito Bruno Bandeira Ryff, State Secretary  
Tel: 55-21-533-3656  
Fax: 55-21-533-3525

CODIN - RIO DE JANEIRO INDUSTRIAL DEVELOPMENT COMPANY  
 Av. Nilo Peçanha, 11/Rooms 1003 and 1005 - Centro  
 20020-100 - Rio de Janeiro - RJ  
 Phone: (5521) 210-1375 / 240-3851/3588  
 Fax: (5521) 262-0001  
 Marco Antônio de A. Araújo Lima, President

RIO DE JANEIRO FEDERATION OF INDUSTRIES - FIRJAN  
 Eduardo Eugênio Gouveia Vieira  
 President  
 Av. Graça Aranha nº 1  
 CEP 20030-002 - Rio de Janeiro - RJ - Brazil  
 Tel: 55- 21-292-3939  
 Fax: 55-21-262-6705  
 Homepage: [www.firjan.org.br](http://www.firjan.org.br)

BANCO BOZANO SIMONSEN  
 Av. Rio Branco, 138  
 20.057-900 - Rio de Janeiro - RJ  
 Phone: (5521) 508-4000 / 508-4232 (President's office)  
 Fax: 508-4840  
 Julio Rafael de Aragão Bozano, Group President  
 Paulo V. Ferraz Pereira, President

BANCO ICATU  
 Av. Presidente Wilson, 231 /9th Floor  
 20.040-001 - Rio de Janeiro - RJ  
 Phone: (5521) 804-8500  
 Fax: (5521) 804-8600  
 Luis Antonio Nabuco Almeida Braga, President

BAHIA SECRETARIAT OF INDUSTRY, COMMERCE AND MINING  
 Centro Administrativo da Bahia  
 Quarta Avenida, 415  
 41750-300 Salvador BA  
 Phone: (55 71) 371-9962 / 370 7842 / 370 7838  
 Fax: (55-71)-370-7939  
 Benito Gama, Secretary

STATE OF BAHIA FEDERATION OF INDUSTRIES - FIEB  
 Rua Edístio Pondé, 342  
 41.760-310, Salvador, BA  
 Phone: (55 71) 343-1261  
 Fax: (55 71) 341-3593  
 José de Freitas Mascarenhas, President  
 Mauricio Chimabuquero, Economic Department

GOVERNMENT PLANNING SECRETARIAT  
 Palácio Anchieta  
 Praça João Clímaco, s/n  
 29015-110 Vitória ES  
 Ricardo Ferreira dos Santos, Coordinator  
 Tel: 55-27-322-0355  
 Fax: 55-27-322-0483

STATE OF ESPÍRITO SANTO FEDERATION OF INDUSTRIES -FINDES

Av. Nossa Senhora da Penha, 2053, Edif. FINDES  
 29.045-401, Vitória, ES  
 Phone: (55 27) 227-4280  
 Fax: (55 27) 225-3603  
 José Bráulio Bassini - President

SUDENE - SUPERINTENDENCY FOR THE DEVELOPMENT OF THE NORTHEAST  
 Aloísio de Guimarães Sotero  
 Superintendent  
 Praça Min. João Gonçalves de Souza, s/nº  
 Ed. Sudene - Sala 13n-041 - Engenho do Meio  
 CEP 50670-900 Recife-PE  
 Phone: (55-81) 416 2109  
 Fax: (55-81) 271 3843  
 E-mail: asotero@sudene.gov.br

SERGIPE FEDERATION OF INDUSTRIES  
 Federação das Indústrias do Estado de Sergipe  
 Idalito de Oliveira, President  
 Av. Carlos Rodrigues da Cruz, s/nº  
 Capucho  
 49080-190 Aracaju, SE  
 Tel: (55-79) 241 2410 / 241 3344  
 Fax: (55-79) 241 3564

SECRETARIA DO PLANEJAMENTO DO ESTADO DO RIO GRANDE DO SUL  
 Elbio Renato M. Martins  
 Av. Borges de Medeiros, 1501  
 Porto Alegre, 90119-900 RS  
 Phone: 55/51/225-8437  
 Fax: 55/51/228-9702

SECRETARIA DE ESTADO DA INDUSTRIA, COMERCIO E DESENVOLVIMENTO ECONOMICO  
 DO ESTADO DO PARANÁ  
 Naim Akel Filho  
 R. Marechal Hermes, 751 - 3º andar  
 Curitiba, 80530-230 PR  
 Phone: 5541/ 254-7612 / 252-7102 / 252-4561/ 252-7676  
 Fax: 5541/ 252-4820

SECRETARIA DA HABITAÇÃO E DESENVOLVIMENTO URBANO DE SÃO PAULO  
 Attilio Piraino Filho attilio@ibm.net  
 Rua São Bento 405 22 andar  
 São Paulo, SP  
 Phone: 5511/239-1410 ou 5511/239-2112  
 Fax: 5511/239-0313

SECRETARIA DE DESENVOLVIMENTO ECONOMICO DE SANTA CATARINA  
 Antonio Ceron  
 Rua Tenente Silveira, 94 - 12º andar  
 Florianópolis, SC  
 Phone: 55/48/ 216-8888  
 Fax: 55/48/ 216-8998

## SECTION VIII. TRADE AND PROJECT FINANCING

## Description of Banking System

The largest in South America, Brazil's banking system is highly developed, efficient, and offers a wide range of financial services. Brazil's Central Bank regulates banking and financial services, and maintains strict accounting and operational supervision. Private sector banks are often organized as financial conglomerates offering a full range of financial services through subsidiaries and associated companies. Many of Brazil's states have state-owned or controlled banks offering public and private banking services. However, the number of such state-level banking institutions has been fallen in recent years due to the central government's financial and banking reform efforts.

The following are key governmental financial institutions:

National Monetary Council -- Sets monetary policy;

Central Bank -- Executes monetary policy, manages exchange transactions, regulates banking and financial institutions, registers foreign investment;

Bank of Brazil -- Finances both public and private sector projects, primary lender to the agricultural sector;

National Economic and Social Development Bank (BNDES) -- Provides long-term financing and administers the privatization program.

For more information on Brazil's banking system, see Trade and Project Financing, and the Investment Climate Statement, Chapter VII.

## Foreign Exchange Controls Affecting Trade (As Opposed to Investment)

Obtaining an import license gives importers access to foreign exchange to pay for imports at the commercial rate through commercial banks. Individuals may import items via catalogs or phone/mail order, paying with an international credit card. In May 1997, the government instituted new rules that forbade normal financing of outstanding balances arising from international credit card purchases. Ended in March 1998 for most practical purposes, were import financing restrictions imposed in April 1997 that had required importers to purchase foreign exchange for financing purposes at least 180 days in advance of the due date for short-term supplier credit, i.e., of less than 360 days in duration. Brazil had granted a series of "temporary" exceptions for Mercosul member states for individual shipments less than US\$ 40,000 in value (raised to US\$ 80,000 following the recent devaluation).

The current rules require that importers purchase foreign exchange contracts from commercial banks for any payments due up to the last day of the second month following entry of the goods in question, i.e., from 60 to 89 days following entry. Payment must be made at the time



the import declaration is filed as part of customs clearance procedures. Transit time to Brazil is not provided for and finance for this period must be negotiated by buyer and seller. Beyond this variable period of time, normal import finance arrangements are permitted.

#### General Availability of Financing

Interest rates prevailing in Brazil for short term loans (60 to 90 days) range currently from 1.7 to 4.5% per month (with inflation of - 0.29% in May 1999). The National Bank for Economic and Social Development (BNDES) is one of the few sources of long term financing in the market. The BNDES budget for 1998 was about US\$ 16.3 billion for financing to small, medium or large Brazilian companies investing in capital goods, raw materials, infra-structure, energy or technology.

Loan terms for FINAME (Special Agency for Industrial Financing) are:

- Maximum coverage is 70 to 90 percent of transaction; for exports coverage is 100 percent.
- Maximum of US\$ 7,000,000 is automatic, per company, disbursed in one year. Disbursal above that limit depends on the company in question.
- Cost: currently 16.32 to 19.15 percent per annum (Long Term Interest Rate of 13.48 percent plus spread of 2.5 to five percent representing BNDES spread and commercial bank fee.
- Amortization period: normally monthly.
- Maximum grace period: up to six months.

FINEP - The Study and Projects Financing Agency of the Ministry of Science and Technology made available US\$ 1 billion in 1995 for long term financing at 31.59% per annum (grace period 2 years and repayment period of 5 years) to Brazilian companies for developing new products, research centers, total quality systems, partnership and joint ventures. FINEP'S funds are made available to the public through some development banks.

Leasing, lease-back and leasing-import are widely used in Brazil. Leasing is available for both new and used, locally produced and imported equipment. The leasing operation includes financing of installation, transportation, freight, import taxes and all other taxes and fees involved in the importation.

#### How to Finance Exports/Methods of Payment

All the standard methods of export financing are available and used in Brazil. Brazilian commercial banks, and subsidiaries of international banks are active in trade finance. However, letters of credit and other trade finance can be expensive to open in Brazil. As a result, many suppliers extend open account privileges to established reliable clients in Brazil to avoid high financing costs.

#### Types of Available Export Financing and Insurance

##### Export-Import Bank of the United States

The Export-Import Bank of the United States (Eximbank) offers a range of loan, insurance and loan guarantee programs to facilitate exports of

U.S. goods and services. The Bank's short-term, medium-term and long-term programs are available to support U.S. exports to Brazil when the obligor is a highly creditworthy private sector entity. Following a relaxation of policy in late 1998 reflecting Brazil's progress in making up arrears payments to U.S. Government lenders, a Brazilian public sector entity may be the end-user, obligor, or guarantor of financing provided with Export-Import Bank assistance.

The Bank does not require that a private sector commercial bank be the obligor or guarantor on all transactions. If the risk is with a non-bank company, its audited balance sheet and income statements must be very strong, and the company must have a good commercial track record.

The Ex-Im Bank requires information on proposed obligors and guarantors. Such information includes financial statements and credit references. Engineering data is required for long-term transactions.

Most of the Bank's recent medium-term Brazilian business has been done under the Credit Guarantee Program. Eximbank acts mainly as a guarantor of U.S. bank loans to private Brazilian banks, assuming the commercial and political risks of the loans. The Brazilian bank becomes the obligor and assumes the commercial risk of the transaction. The resources guaranteed by the Bank are made available to privately-owned Brazilian companies importing U.S. goods and services.

Ex-Im Bank works with the Foreign Credit Insurance Association (FICA) to offer various export insurance programs, including short-term and medium-term export insurance, multi-buyer insurance, letter of credit insurance, and lease insurance policies. Other Eximbank guaranteed export credits are available from the Private Export Funding Corporation (PEFCO), which borrows in the commercial market and re-lends for exports.

Additional information on Ex-Im Bank, FICA and PEFCO programs can be obtained from:

Export-Import Bank of the United States  
811 Vermont Avenue, NW  
Washington, DC 20571  
(202) 566-8990

Eximbank Regional Offices:

Northeast 6 World Trade Center  
Suite 238  
New York, NY 10048  
Phone: (212) 466-2950  
Fax: (212) 466-2959

Southeast P.O. Box 590570  
Miami, FL 33159-0570  
Phone: (305) 526-7425  
Fax: (305) 526-7435

Southwest Ashford Crossing II  
1880 South Dairy Ashford  
Suite 585

Houston, TX 77077  
 Phone: (713) 589-8182  
 Fax: (713) 589-8184

Midwest 55 W. Monroe Street  
 Suite 2440  
 Chicago, IL 60603  
 Phone: (312) 535-8081  
 Fax: (312) 353-8098

West 222 North Sepulveda Boulevard  
 Suite 1515  
 El Segundo, CA 90245  
 Phone: (310) 322-1152  
 Fax: (310) 322-2041

Availability of Project Financing, Including OPIC and Eximbank Project Finance, Lending from Multilateral Institutions.

There is a huge potential for project finance operations in Brazil because of the lack of public funds for investing in infrastructure. Market estimates are that US\$ 26 billion need to be invested in the Brazilian State-owned companies in the next four years of which US\$ 9 billion will be in electric power, US\$ 7 billion in telecommunications; US\$ 5 billion in transportation; and US\$ 5 billion in the petroleum sector.

Due to high domestic interest rates, almost all project finance is raised in the international market. Exporting companies typically securitize future export earnings not only for implementing restructuring projects but also for working capital.

Since February 1995, the Brazilian Government has granted concessions to private companies to explore commercially some of the activities formerly reserved to state-owned companies (electricity generation, road repair). The concessions opened new business opportunities for banks operating in Brazil. Several banks are engaged in project finance for private investors, by providing financial advisory services, raising funds from the investors themselves and often from international sources (Eurobond market and securitized papers). The preliminary studies involved in project finance can take as long as four years. Investors typically seek guarantees from international institutions because the long-term nature of the operations presents high political risk.

Some of the projects that could be undertaken through project finance include the construction of 19 hydroelectric plants which were halted in the past due to the lack of investment funds; the Brazil-Bolivia gas pipeline; and repair of several highways. Banco Pactual, Banco Chase Manhattan S.A. and Banco Itamarati are some of the banks in Brazil involved in project finance.

#### Multilateral Development Agencies

The World Bank and the Inter-American Development Bank (IDB) are also involved in supporting infrastructure projects in Latin American countries. The IDB is planning to lend some US\$ six billion during the

period 1997-2000 in the region with 40 percent of this in the social sector. In Brazil, the World Bank had US\$ 4.5 billion in undisbursed loan commitments at the beginning of 1996 and approved projects totaling US\$ 875 million during the year. The Bank's activities include traditional cofinancing, World Bank guarantees, creating infrastructure funds to finance private project companies, and designing projects for future private sector participation.

In June 1994, the Ex-Im bank established a Project Finance Division. The bank is capable of financing all creditworthy projects that request its support. Ex-Im has no minimum or maximum project size limitations and no specific country lending caps. The cost of using Ex-Im Bank financing will be directly based on the risks associated with each project and will be designed so that the bank neither makes nor loses money.

#### Types of Projects Receiving Financing Support

The proposed 480 megawatt gas-fired Cuiaba integrated pipeline and power plant project in the state of Mato Grosso, at a projected cost of US\$560 million, would be the first internationally financed independent power project in Brazil. If successfully implemented, the project could open the door to other such investments in Brazil that will a boost to economic growth and development and a source of long-term capital. Although some technical problems with Brazil's central bank has caused some delay in finalizing the accord, it is hoped that these technical impediments will be resolved quickly.

#### List of Banks with Correspondent U.S. Banking Arrangement

Brazil has one of the most sophisticated financial systems in Latin America. U.S. commercial banks have been in Brazil since 1915, and numerous American banks have a presence in Brazil today. In terms of asset size, Banco de Boston, Citibank, JP Morgan, Chase, and Bank GM were among the top 50 institutions in the country as of December 1997. However, no U.S. banks placed among the country's top 20 institutions by December 1998 on this basis.

American Express Bank Ltd. (São Paulo)  
 Banco de Boston (Sao Paulo)  
 Bank Audi (Sao Paulo)  
 Bank of America - Illinois (Sao Paulo)  
 Bank of America International of Florida (São Paulo)  
 Bank of America International of Texas (São Paulo)  
 Bank of America National Trust and Savings Association (Rio de Janeiro and Sao Paulo)  
 Bankers Trust Company (Sao Paulo)  
 Bear Stearns & Co. Inc. (São Paulo)  
 Capital Bank (Rio de Janeiro)  
 Chemical Bank (Sao Paulo)  
 Corestates Bank N.A. (Sao Paulo)  
 Delta National Bank and Trust Company of New York (São Paulo)  
 First Interstate Bank of California (Rio de Janeiro)  
 First Republicbank Dallas, N.A. (Sao Paulo)  
 Harris Trust and Savings Bank (Sao Paulo)  
 Manufacturers Hanover Trust Company (Sao Paulo)

Mellon Bank (Sao Paulo)  
 Morgan Guarantee Trust Company of New York (Rio de Janeiro)  
 Nations Bank (Sao Paulo)  
 NCNB National Bank of North Carolina (São Paulo)  
 Pinebank (Sao Paulo)  
 Pittsburgh National Bank (São Paulo)  
 Republic National Bank of New York (Rio de Janeiro)  
 Security Pacific National Bank (São Paulo)  
 Skandinaviska Enskilda Banken Corporation (São Paulo)  
 Texas Commerce Bank N.A. (Sao Paulo)  
 The Chase Manhattan Bank N.A. (Sao Paulo)  
 UBS Securities Inc. (Sao Paulo)  
 Union Bank of California N.A. (Sao Paulo)  
 The Bank of New York (Sao Paulo)

## IX. BUSINESS TRAVEL

### Business Customs

U.S. business visitors should become accustomed to several business conditions specific to Brazil. Compared to the United States, the pace of negotiation is slower and is based much more on personal contact. It is rare for important business deals to be concluded by telephone or letter. Many Brazilian executives do not react favorably to quick and infrequent visits by foreign sales representatives. They prefer a more continuous working relationship. The Brazilian buyer is also concerned with after-sales service provided by the exporter.

The slower pace of business negotiation does not mean that Brazilians are less knowledgeable in terms of industrial technology or modern business practices. In fact, one should be as prepared technically when making a call on a Sao Paulo firm as on a Chicago firm. In addition, a U.S. businessperson is encouraged to learn as much about the Brazilian economic and commercial environment as possible before doing business.

While office hours in Brazil are generally 8:00 a.m. to 6:00 p.m., decision makers begin work later in the morning and stay later in the evening. The best times for calls on a Brazilian executive are between 10 a.m. and noon, and 3 to 5 p.m., although this is less the case for Sao Paulo where appointments are common throughout most of the day. Lunch is usually two hours. It is customary in Brazil to drink coffee during a business appointment. While many Brazilians may speak English, they may wish to conduct business in Portuguese. The non-Portuguese speaking U.S. executive may need an interpreter on more than 50 percent of business calls. Correspondence and product literature should be in Portuguese, and English is preferred as a substitute over Spanish. Specifications and other technical data should be in the metric system.

### Travel Advisory and Visas

While visitors for tourism may enter Brazil with the tourist visa, Brazilian law requires that travelers must have a temporary (business) visa if they plan to transact business. "Business" would include signing legal documents, engaging in financial or commercial transactions, and working or engaging in research.

Tourist visas generally are valid for a stay of 90 days. A temporary business visa is also valid for 90 days. Transit visas are valid for 10 days and require travelers to enter and exit through the same port.

Details regarding Brazilian visa procedures and requirements are provided in literature available on request from the Consular Section, Embassy of Brazil, 3006 Massachusetts Avenue, NW Washington, DC 20008. Tel: (202) 745-2828.

#### Holidays

The following holidays are designated by the Brazilian Government:

New Year's Day	January 1
Carnival*	Four nights and three days preceding Ash
Wednesday	
Good Friday	Varies
Easter Sunday	Varies
Tiradentes Day	April 21
Labor Day	May 1
Corpus Christi	varies
Independence Day	September 7
Elections Day	October 5
"Nossa Senhora Aparecida"	
(Our Lady Appeared)	October 12
All Souls Day	November 2
Proclamation of the	
Republic	November 15
Immaculate Conception	December 8
Christmas Day	December 25

In addition, various state holidays and other religious and federal holidays are proclaimed throughout the year. Some of these include:

San Sebastian Day	
(Rio de Janeiro only)	January 20
Anniversary of the Founding	
of the City of Sao Paulo	
(Sao Paulo only)	January 25
"Nossa Senhora dos Navegantes"	
(Porto Alegre)	February 2

\* Avoid arriving during Carnival unless reservations have been confirmed in advance.

#### Business Infrastructure

Air Travel -- Brazil has four principal airlines: TAM, Transbrasil, Varig and Vasp. These companies provide efficient service throughout the country. Brazilian regional airlines provide service to their respective parts of the country. Private charters rentals are available at major airports in Brazil. Scheduled airline fares are comparable to those in Western Europe.

Business people, travelers, and residents spend a good deal of time among the four most important cities -- Sao Paulo, Rio de Janeiro, Brasilia, and Belo Horizonte. Sao Paulo is Brazil's center for commerce and manufacturing; Rio de Janeiro is important for its service industries and several state companies; Brasilia is the seat of government and location of foreign embassies; and Belo Horizonte is a major industrial/mining center. An excellent air bridge (or "ponte aérea") service facilitates travel among those cities. During rush hours, flights between Rio de Janeiro and Sao Paulo leave every 15 minutes from conveniently located downtown airports. For weekend travel, return reservations must be confirmed for Rio on Friday evening and for return to Sao Paulo or Brasilia on Monday morning.

Local Transportation -- Meter taxis, identified by roof lights, are plentiful in urban areas. However, getting about in Sao Paulo and other large cities can still be a problem. It is not always possible to rely on taxis when making calls. They are extremely difficult to find at certain hours of the day and in certain sections of the city. Fares are inexpensive and sometimes a table used to adjust fares is posted on the inside of the taxi's rear window. It is not necessary to tip. Also, in Sao Paulo and in Rio, taxi fares are comparable to large U.S. cities such as Washington D.C.

Radio taxis (cabs) are more expensive but convenient and reliable. In Rio call: 270-1442, in Sao Paulo call: 251-1733, in Brasilia call: 224-3030 or 224-7474, and in Belo Horizonte call: 464-3999.

Rental cars are common, especially at airports. They can be costly compared with other forms of transportation. Sao Paulo and Rio de Janeiro are very confusing for a newcomer; driving is not recommended.

Time -- Local time in Brazil is two hours ahead of Eastern Standard Time. Brazil observes daylight savings from December to February. When daylight savings is in effect in the United States, i.e April to October, Brazilian time is one hour ahead. When daylight savings is in effect in Brazil, i.e November to March, Brazilian time is three hours ahead.

## X - ECONOMIC AND TRADE STATISTICS

### APPENDIX A

#### Country Data                      Profile

Population:                      166,113,800 million inhabitants (estimate 2000)

Population Growth Rate: 1.20 percent annually.

Religion(s):                      Predominantly Roman Catholic, with growing Protestant influence.

Government System:              Democratic, Federative Republic, Presidential system, with executive branch agencies, two houses congress (Senate, Chamber of Deputies), and judicial branch.

Language(s): Portuguese

#### APPENDIX B

##### Domestic Economy

	1998	1999 1/	2000
1/			
Nominal GDP (US\$ bil)	771.1	540.0	570.1
GDP Real Growth Rate (%)	0.1	-1.5	3.0
GDP Per Capita (Current US\$)	4,800	3,380	3,510
Public Sector Borrowing Requirement as a % of GDP	-8.1	-10.3	-4.5
Annual Inflation (%) /2	2.5	10.0	4.0
Unemployment Rate (%) /3	7.6	8.0	8.0
Foreign Exchange Reserves (US\$ bil)	44.5	45.0	48.0
Avg. Exchange Rate (R/US\$1)	1.160	1.750	1.880
Foreign Debt (US\$ bil)	235.1	260.0	290.0
Debt Service/Exports (%)	31.0	31.6	33.2
US Econ/Mil Assist (US\$ mil)/4	12.0	13.0	11.0

##### Notes:

1/ 1999 = estimate; 2000 = projection

2/ Inflation as measured by the National Consumer Price Index (INPC) produced by the Brazilian Institute of Geography and Statistics (IBGE).

3/ Open unemployment as percent of economically active workforce

4/ No military assistance; USAID figures only.

#### APPENDIX C

##### Trade

##### In US\$ Millions FOB

	1998	1999(P)	2000(E)
Total Brazilian Exports	63,062	47,586	54,725
Total Brazilian Imports	72,080	49,679	57,131
Exports to U.S.	9,657	11,202	12,882
Imports from US	18,161	15,538	17,869

Source: Secretaria da Receita Federal, Ministério da Industria, Comércio e Turismo and the U.S. Department of Commerce, Census Bureau.

#### APPENDIX D

##### Investment Statistics

##### Foreign direct investment statistics

##### FDI Stock by Country in Brazil,



## Top Ten, 1997

(US\$ Millions, Percent)

COUNTRY	AMOUNT	SHARE	GROWTH(97/98)
United States	17,210	26.3	34.2
Germany	6,266	9.6	3.2
Cayman Islands	4,560	7.5	218.7
France	4,341	6.5	41.1
The Netherlands	3,186	5.4	72.2
Japan	2,426	4.9	12.0
Switzerland	2,123	4.6	2.8
Virgin Islands (Br.)	-313	3.4	7.7
United Kingdom	2,441	3.2	9.7
Canada	1,884	3.1	3.4
Other	1,243	25.5	29.2
Total	65,507	100.0	30.5

Source: Central Bank of Brazil, Department of Foreign Capital (FIRCE), Census of Foreign Capital in Brazil, 1998

Notes: The 1997 stock figure is based on recorded inflows during 1996 and 1997 for investments greater than \$10 million in value. Figures are not strictly compatible with previously reported investment statistics. Foreign investment rankings changed significantly from 1995 to 1997. The United States remained in first place throughout but

FDI STOCK BY SECTOR AND  
SELECTED SUBSECTOR, 1997  
SHARE AND 1996/97 GROWTH  
(\$ MILLIONS, PERCENT)

SECTOR (SUBSECTOR)	STOCK	SHARE	96/97 GROWTH
-			
AGRICULTURE	1,255	1.9	57.1
-			
(Metallic Minerals Extraction)	1,055	1.6	196.3
-			
INDUSTRY	27,179	41.5	8.1
-			
(Chemicals)	5,338	8.1	7.4
(Autos)	3,360	5.1	7.1
(Food/Beverages)	2,841	4.3	12.8
(Basic Metals)	2,596	4.0	0.0
(Machinery/Equipment Manufacturing)	2,458	3.8	9.1
-			
SERVICES	37,072	56.7	52.8
-			
(Business Services)	18,822	28.7	39.7
(Retail & Commerce)	3,002	4.6	29.8

(Financial Intermediation)	3,321	4.9	212.5
(Real Estate)	1,181	1.8	3.6
-			
TOTAL	65,507	100.0	30.5
-			
-			

Source: Central Bank of Brazil, Department of Foreign Capital (FIRCE), Census of Foreign Capital in Brazil, 1998

#### U.S. INVESTMENT TRENDS

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According to U.S. Department of Commerce data, U.S. foreign direct investment (FDI) in Brazil reached US\$ 35.7 billion at the end of 1997. This represented growth of 24 percent compared to 1996 and put Brazil fifth in the world in terms of the U.S. direct investment stock between Germany and Japan. Fastest growing sectors are power and telecommunications (reflecting ongoing privatizations of state enterprises), services, and banking.

U.S. FDI (defined as net financial claims of U.S. parents on foreign subsidiaries) in Brazil is dominated by manufacturing with a 64 percent share. Banking and finance account for another 16 percent of the total. U.S. investment in Brazil accounted for over half of total American FDI in South America in 1997. With respect to manufacturing investment only, FDI in Brazil was equal to 70 percent of the continental total. Available data on 1998 capital outflow (the main component of FDI flows) suggests that the investment growth rate slowed to around 7% last year and that the total increase in U.S. FDI will amount to around US\$ 3 billion for the year as a whole.

#### CHAPTER XI - U.S and Country Contacts

##### APPENDIX E

##### Brazilian Government Contacts

Ministry of Agriculture  
Secretariat of Agriculture & Livestock Defense  
Esplanada dos Ministerios,  
Bloco D, Anexo B  
70043-900 Brasilia, DF  
Phone: 55/61/218-2828  
Fax: 55/61/218-2586

Brazilian Central Bank  
Banco Central do Brasil  
SBS - Edifício Sede do Banco Central do Brasil  
70074-900 Brasilia, DF  
Phone: 55/61/414-1414  
Fax: 55/61/321-9456  
<http://www.bcb.gov.br>

Bank of Brazil  
 BB - Banco do Brasil S/A  
 SBS, Quadra 4, Lote 32, Bloco C,  
 Ed. Sede III  
 70073-900 Brasilia, DF  
 Phone: 55/61/310-2000  
 Fax: 55/61/310-6313/6314  
<http://www.bancobrasil.com.br>

National Bank of Economic Social Development  
 BNDES - Banco Nacional de Desenvolvimento  
 Av. República do Chile, 100  
 11 floor, Centro  
 20031-170 Rio de Janeiro, RJ  
 Phone: 55/21/225-4350/277-7447  
 Fax: 55/21/533-1538  
<http://www.bndes.gov.br>

Ministry of Science and Technology  
 MCT - Ministerio da Ciencia e Tecnologia  
 Esplanada dos Ministérios  
 Bloco E, 4 floor  
 70067-900 Brasilia, DF  
 Phone: 55/61/317-7500  
 Fax: 55/61/317-7771  
<http://www.mct.gov.br>

Ministry of Communications  
 Ministerio das Comunicacoes  
 Esplanada dos Ministerios - Bloco R, 8th floor  
 70044-900 Brasilia, DF  
 Phone: 55/61/311-6000  
 Fax: 55/61/223-3755

Brazilian Long Distance Telephone Company (EMBRATEL)  
 Empresa Brasileira de Telecomunicacoes S.A.  
 Av. Presidente Vargas, 1012  
 Edifício Sede, 15 floor  
 20179-900 Rio de Janeiro, RJ  
 Phone: 55/21/519-8182  
 Fax: 55/21/233-7549/519-8081  
 DPR: Public Relations Department  
<http://www.embratel.gov.br>

EMBRATUR - Ministry of Industry and Commerce  
 SCN - Q2 - Bloco G - 3 floor  
 70710-500 Brasilia, DF  
 Phone.: 55/61/328-9100  
 Fax.: 55/61/328-9889  
 Contact: Dr. Caio Luiz Cibella de Carvalho, President  
<http://www.embratur.gov.br>

Brazilian Industrial Property Institute  
 INPI - Instituto Nacional da Propriedade Industrial  
 Praça Mauá 7, 18 floor - Centro  
 20081-240 Rio de Janeiro, RJ  
 Phone: 55/21/291-1223

Fax: 55/21/263-2539

Ministry of Aeronautics  
Ministerio da Aeronautica  
Esplanada dos Ministérios - Bloco M  
70045-900 Brasília, DF  
Phone: 55/61/313-2345  
Fax: 55/61/313-2110

Ministry of Development, Industry and Commerce(MICT)  
Ministerio do Desenvolvimento Industria e Comercio  
Esplanada dos Ministérios, Bloco J, 6 floor  
70056-900 Brasília, DF  
Phone: 55/61/329-7002/7001  
Fax: 55/61/329-7230/7382  
<http://www.mict.gov.br>

Secretariat of Foreign Trade (SECEX-MIDT)  
Secretaria de Comercio Exterior  
Esplanada dos Ministerios  
Bloco J, 8 floor, Room 812  
70056-900 Brasilia, DF  
Phone: 55/61/329-7077/7080  
Fax: 55/61/325-2075  
<http://www.mict.gov.br>

Secretariat of Foreign Trade (SECEX-MIDT)  
Secretaria de Comercio Exterior  
Esplanada dos Ministerios  
Bloco J, 8 floor  
70056-900 Brasilia, DF  
Phone: 55/61/329-7081/7084  
Fax: 55/61/325-2075  
contact: Antônio José Gadelha Alves  
(question on tariffs)

Ministry of Finance  
Ministerio da Fazenda  
Esplanada dos Ministérios - Bloco P, 4 floor  
70048-900 Brasília, DF  
Phone: 55/61/412-3000  
Fax: 55/61/223-5239  
<http://www.fazenda.gov.br>

Secretariat of Internal Revenue Service  
Secretaria da Receita Federal  
Esplanada dos Ministerios - Bloco P, 7 floor, room 733  
70048-900 Brasilia, DF  
Phone: 55/61/412-2000  
Fax: 55/61/321-0488

Ministry of Mines and Energy  
Ministerio das Minas e Energia  
Esplanada dos Ministerios - Bloco U  
70065-900 Brasilia, DF  
Phone: 55/61/319.5555 and 223.9059  
Fax: 55/61/226-1866

<http://www.mme.gov.br>

Ministry of Foreign Relations  
 Ministerio das Relacoes Exteriores  
 Esplanada dos Ministerios  
 Palacio do Itamaraty  
 70170-900 Brasilia, DF  
 Phone: 55/61/211-6161  
 Fax: 55/61/223-7362  
<http://www.mre.gov.br>

Ministry of Health  
 Ministerio da Saude  
 Esplanada dos Ministerios - Bloco G, 5o. Floor  
 70058-900 Brasilia, DF  
 Phone: 55/61/315-2425  
 Fax: 55/61/224-8747  
<http://www.ms.gov.br>

Brazilian Petroleum Company  
 PETROBRÁS - Petroleo Brasileiro S.A.  
 Av. República do Chile 65, 24 floor, Centro  
 20035-900 Rio de Janeiro, RJ  
 Phone: 55/21/534-4477  
 Fax: 55/21/240-9394

Department of Civil Aviation  
 DAC - Departamento de Aeronautica Civil  
 Aeroporto Santos Dumont, 4 floor  
 20021-340 Rio de Janeiro, RJ  
 Phone: 55/21/544-6708  
 Fax: 55/21/220-0587

Country Trade Associations/Chambers of Commerce

Air Conditioning, Heating, Refrigeration, Ventilation

ABRAVA - Brazilian Association of Manufacturers of Refrigeration,  
 Heating, Air Conditioning and Ventilation Equipment  
 Av. Rio Branco, 1492  
 01206-001 Sao Paulo, SP  
 Phone: 55/11/221-5777  
 Fax: 55/11/222-4418  
 Contact: Mr. Arnaldo O. Correia, General Manager, Foreign Trade Dept.

Apparel Manufacturers

ABRAVEST - Brazilian Apparel Association  
 Rua Bastos Pereira, 237  
 04507 Sao Paulo, SP  
 Phone: 55/11/887-4500  
 Fax: 55/11/885-5638/887-4500  
 Contact: Mr. Roberto Chadad, President

## Automotive Components Manufacturers

ANFAVEA - National Association of Vehicle Manufacturers  
 (Associação Nacional dos Fabricantes de Veículos Automotores)  
 SINFAVEA - National Association of Tractor, Truck, Automobile and  
 Similar Vehicle Manufacturers (Sindicato Nacional da Indústria de  
 Tratores, Caminhões, Automoveis e Similares)  
 Avenida Indianópolis, 496  
 04062-900 São Paulo, SP, Brazil  
 Tel: 55/11/549-4044  
 Fax: 55/11/549-4044 - Ext. 225  
 Contact: Mr. Paulo Sotero Pires Costa, Executive Director

SINDIPEÇAS - National Association of Autoparts Manufacturers  
 (Sindicato Nacional da Indústria de Componentes para Veículos  
 Automotores)  
 Rua Abílio Soares 1487  
 04005-005 São Paulo, SP, Brazil  
 Tel: 55/11/884-4599  
 Fax: 55/11/884-0584  
 Contact: Mr. Luiz Carlos Auler Pereira, Foreign Trade Adviser.

ABEIVA - Brazilian Association of Motor Vehicle Importers  
 (Associação Brasileira dos Importadores de Veículos Automotores)  
 Rua Helena 260, Conj. 92/94, 9o. floor - Vila Olimpia  
 04552-050 São Paulo, SP, Brazil  
 Tel: 55/11/3049-3051  
 Fax: 55/11/3049-3058  
 Contact: Mr. Carlos Vilhena, Executive Director

## Brazilian Federation of Banks

FEBRABAN - Brazilian Federation of Banks  
 Rua Libero Badaro 425 / 17º floor  
 01069-900 Sao Paulo, SP  
 Phone: 55/11/232-7623  
 Fax: 55/11/37-8486  
 Contact: Mr. Wilson Antonio Salmeron Gutierrez, Superintendent

## Building Products

ANAMACO - National Association of the Distributors of Building  
 Materials  
 Av. General Olimpio da Silveira, 655 7o. floor, conj. 72 01150-001 Sao  
 Paulo, SP  
 Phone: 55/11/262-7533  
 Fax: 55/11/3872-0819  
 Contact: Mr. Claudio Elias Conz, President

SINDUSCON - Association of Building Contractors of the State of Sao  
 Paulo (residential and commercial buildings, only)  
 Rua Dona Veridiana, 55 - Bairro Santa Cecilia  
 01238-010 Sao Paulo, SP  
 Phone: 55/11/224-0566  
 Fax: 55/11/224-8266

Contact: Mr. Sergio Porto, President

SINDUSCON - Ditto, State of Rio de Janeiro  
 Rua do Senado, 213 - 1 floor - centro  
 20231-020 Rio de Janeiro, RJ  
 Phone: 55/21/221-5225  
 Fax: 55/21/221-5195/852-8995  
 Contact: Mr. Natalino Rabinovicht, President

SINDUSCON - Ditto, State of Paraná  
 Rua da Glória, 175, 2o. floor - Bairro Centro Civico  
 80030-060 Curitiba, PR  
 Phone: 55/41/352-2883  
 Fax: 55/41/253-5567  
 Contact: Mr. Gustavo Daniel Berman, President

#### Cable TV

ABTA - Brazilian Association of Cable TV  
 R. Paes de Araujo 29, 18 floor, conj. 181/182  
 04531-940 Sao Paulo, SP  
 Phone: 55/11/822-9307  
 Fax: 55/11/822-9307  
 Contact: Mr. Alexandre Annenberg, President

#### Construction

ABICEM - Brazilian Association of Metallic Construction Contractors  
 Av. Brig. Faria Lima, 1931 - 9 Floor  
 01452-001 Sao Paulo, SP  
 Phone: 55/11/816-6597  
 Fax: 55/11/813-8717  
 Contact: Mr. Marcio Guimaraes, Executive Director

#### Dental, Medical and Hospital Equipment

ABIMO - Brazilian Association of Dental, Medical and Hospital Equipment  
 Av. Paulista 1313, 8º Floor, conj. 806  
 01311-923 Sao Paulo, SP  
 Phone.: 55/11/285-0155  
 Fax.: 55/11/285-0018  
 Contact: Dr. Ermano Marchette Moraes, Director

SINAEMO - Syndicate of Medical, Dental, Hospital and Laboratory Industries  
 Av. Paulista 1313, 8º Floor, conj. 806  
 01311-923 Sao Paulo, SP  
 Phone.: 55/11/285-0155  
 Fax.: 55/11/285-0018  
 Contact: Dr. Ermano Marchette Moraes, Director

#### Energy

Brazilian Association of Electrical Energy Concessionaires

Rua Padre Garcia Velho, 73, 84  
 05421-030 Sao Paulo, SP  
 Phone.: 55/11/212-5292  
 Fax.: 55/11/815-4669/211-3968  
 Contact: Mr. Nelson Vieira Barreira, President

APINE - Brazilian Association of Independent Electrical Energy  
 Producers  
 SCS Quadra 2  
 Edifício Centro Empresarial  
 Encol Torre B, room 622  
 70329-900 Brasilia, DF  
 Phone.: 55/61/225-6700  
 Fax.: 55/61/322-2940  
 Contact: Mr. Roberto de Moraes Maisonnave, President

World Energy Council  
 Rua Real Grandeza, 219  
 22283-900 Rio de Janeiro, RJ  
 Phone.: 55/21/246-8593  
 Fax.: 55/21/226-0508  
 Contact: Mr. José Luiz Alqueres, President

#### Environment

CONAMA - National Council of Environment  
 SAIN - Avenida Norte - Quadra 604 - Edif. Sede do IBAMA, 8o. floor -  
 Room 54  
 70800-200 Brasilia, DF  
 Phone: 55/61/317-1392  
 Fax: 55/61/226-4961  
 Contact: Ms. Leda Famer, Manager, Solid Residues Department

CETESB - Sao Paulo State Environmental Agency  
 Avenida Professor Hermann Jr., 345  
 05489-900 Sao Paulo, SP  
 Phone: 55/11/3030-6000  
 Fax: 55/11/3030-6402  
 Contact: Ms. Fatima A. Carrara, Manager Int'l Affairs

FEEMA - Rio de Janeiro State Environmental Agency  
 Rua Fonseca Teles 121, 14 Floor  
 Caixa Postal 23.011  
 20940-200 Sao Cristovão, RJ  
 Phone: 55/21/585-3366 ext. 216  
 Fax/tel: 55/21/580-9229  
 Contact: Mr. Americo Fernando M. Lopes, Chief of the Industrial Control  
 Division.  
 Mr. José Alencar, Chief of Engineering Services, Liquid Effluent Dept.

FEPAM - Rio Grande do Sul State Environmental Agency  
 Rua Carlos Chagas 55  
 90030-020 Porto Alegre, RS  
 Phone: 55/51/225-1588  
 Fax: 55/51/212-4221  
 Contact: Dr. Lucia Coelho, Engineer and Project Director



SABESP - Sao Paulo State Sewage and Water Treatment Company  
 Rua Costa Carvalho, 300  
 05429-000 Sao Paulo, SP  
 Phone: 55/011/3030-4254  
 Fax: 55/011/813-5405  
 Contact: Mr. Joao Jorge da Costa, Director of Environmental Department

ABIQUIM - Brazilian Association of the Chemical Industry  
 Rua Santo Antonio, 184 - 17/18 floor  
 01314-900 Sao Paulo, SP  
 Phone: 55/11/232-1144  
 Fax: 55/11/232-0919  
 Contact: Dr. Carlos Mariani Bittencourt, President  
 Dr. Eduardo Eugenio Goveia Vieira, Vice President

ABES - Brazilian Association of Environmental and Sanitary Engineering  
 Av. Beira Mar, 216, 13 floor  
 20021-060, Rio de Janeiro, RJ.  
 Phone: 55/21/210.3221  
 Fax: 55/21/262-6838  
 Contact: Mr. Maria Isabel, International Assistant

FIESP - Federation of the Industries of the State of Sao Paulo  
 Avenida Paulista, 1313 5 floor Room 505  
 01311-923 Sao Paulo, SP  
 Phone: 55/11/252-4200  
 Fax: 55/11/284-3611  
 Contact: Dr. Angelo Albiero Filho, Director of the Environment  
 Department

SINDESAM - National Department of Sanitation Equipment Manufacturers  
 Avenida Jabaquara, 2925  
 04045-902 Sao Paulo, SP  
 Phone: 55/11/5582-6365  
 Fax: 55/11/5582-6379  
 Contact: Mr. Antonio Carlos Germano Gomes, President

#### Food

ABIA - Brazilian Association of Food Industries  
 Av. Brig. Faria Lima, 1478 - 11 floor  
 01451-913 Sao Paulo, SP  
 Phone: 55/11/816-5733  
 Fax: 55/11/814-6688  
 Contact: Mr. Edmundo Klotz, President

ABRABE - Brazilian Beverage Association  
 Av. 9 de Julho, 5017 - 1 floor  
 01407-903 Sao Paulo, SP  
 Phone: 55/11/883-6144  
 Fax: 55/11/3064-6381  
 Contact: Mr. Fabrizio Fasano, President

#### Franchising

ABF - Brazilian Franchising Association

Alameda Irae 276 - Moema  
 04075-000 Sao Paulo, SP  
 Phone.: 55/11/573-9496  
 Fax.: 55/11/575-5590  
 Contact: Mr. Ricardo Young, President

#### Machine Manufacturers

Associacao Brasileira da Industria de Maquinas e Equipamentos - ABIMAQ  
 Sindicato Nacional da Industria de Maquinas - SINDIMAQ  
 Av. Jabaquara 2925  
 04045-902 Sao Paulo, SP, Brazil  
 Phone: 55/11/5582-6377  
 Fax: 55/11/5582-6312  
 Contact: Maria Cecilia Cortez, Coordinator of the National Department  
 of Plastics Production Machinery  
 ABIMAQ/SINDIMAQ is the Brazilian Association of Machine and Equipment  
 Manufacturers

#### Metallurgy

ABM - Brazilian Association of Metallurgy and Materials  
 Rua Antonio Comparato, 218  
 04605-030 Sao Paulo, SP  
 Phone: 55/11/536-4333  
 Fax: 55/11/240-4273  
 Contact: Mr. Antonio Jose Polanczyk, President

#### Oil & Gasfield Equipment

ABRAPET - Brazilian Association of Oil Drillers  
 Avenida Rio Branco, 156 room 1118/1119  
 20043-900 Rio de Janeiro, RJ  
 Phone: 55/21/240 7062  
 Fax: 55/21/283-1542  
 Contact: Mr. José Eduardo Frascá Poyares Jardim, President

ANFEP - Brazilian Association of Petroleum Equipment Manufacturers.  
 Rua Alcindo Guanabara, 24 s/1705  
 20031-130 Rio de Janeiro, RJ  
 Phone.: 55/21/240 4286  
 Fax.: 55/21/220 2923  
 Contact: Mr. Ralph Lima Terra, Director.

FENAGAS - Brazilian Federation of Liquefied Petroleum Gas Wholesalers  
 and Truckers.  
 Rua Eng. Guilherme Cristiano Frender, 1190  
 03477-000 Sao Paulo, SP  
 Phone/Fax.: 55/11/910 2707  
 Contact: Mr. Jorge Lúcio da Silva, Executive Secretary.

#### Perfume and Cosmetic Manufacturers

IBP - Brazilian Petroleum Institute.

Avenida Almirante Barroso 52, 26o. floor  
 20031-000 Rio de Janeiro, RJ  
 Phone.: 55/21/532 1610  
 Fax.: 55/21/220 1596  
 Contact: Mr. Alvaro Teixeira, Secretary.  
 Perfume and Cosmetic Manufacturers

SIPATESP - Brazilian Association of Cosmetics Manufacturers  
 Av. Paulista, 1313 / 9th floor - conj. 901  
 01311-923 Sao Paulo, SP  
 Phone: 55/11/251-1999  
 Fax: 55/11/287-9207  
 Contact: Mr. Edson Aleixo de Oliveira, Director

ADIPEC - Brazilian Association of Perfume and Cosmetics Importers.  
 Rua Tabapuã, 649 conj. 74  
 04533-012 Sao Paulo, SP  
 Phone: 55/11/822-4618  
 Fax: 55/11/548-2188  
 Contact: Mr. Sergio Hausmann do Nascimento, President

#### Software

ABES - Brazilian Association of Software Companies  
 Av. Brig. Faria Lima, 1766 - Cj. 33/34 - 3 floor  
 01452-001 Sao Paulo, SP  
 Phone: 55/11/815-1260; 55/11/815-9563  
 Fax: 55/11/815-8777  
 Contact: Mr. Carlos Alberto Limas Sacco, President

ASSESPRO - Brazilian Association of Data Processing Companies  
 R. Teodoro Sampaio 417, 3 floor-cj 33  
 05405-000 Sao Paulo, SP  
 Phone: 55/11/282-8182  
 Fax: 55/11/3064-4026  
 Contact: Mr. Alberto Custodio, President

EAN/Brasil - Brazilian Association of Commercial Automation.  
 Avenida Paulista, 2644 - 10 floor  
 01310-934 Sao Paulo, SP  
 Phone: 55/11/259-3444  
 Fax: 55/11/231-2808  
 Contact: Mr. Hélio Camargo Mendes, Electronic Data Interchange  
 Specialist

#### Steel industry

IBS - Brazilian Steel Institute  
 Av. Rio Branco, 181 - 28 Floor  
 20040-007 Rio de Janeiro, RJ  
 Phone: 55/21/544-3255  
 Fax: 55/21/262-2234  
 Contact: Mr. Wilson Nelio Brumer, President

#### Telecommunications

TELECOM - Brazilian Association of Telecommunications  
 Av. Pres. Vargas, 633 / 920  
 CEP 20071-004 Rio de Janeiro, RJ  
 Phone: 55/21/221-1236  
 Fax: 55/21/221-1132  
 Contact: Mr. Salomão Wajnberg, President

TELEBRASIL - Brazilian Association of Telecommunications  
 Av. Pasteur, 383 - Urca  
 22290-240 Rio de Janeiro, RJ  
 Phone: 55/21/295-4432  
 Fax: 55/21/542-4092  
 Contact: Mr. João Carlos Pinheiro da Fonseca, Editor

TELEBRAS - Brazilian Telecommunications Holding Company  
 SAS - Qda. 06 Bl. E Ed. Sede, 10. floor  
 70313-900 Brasilia, DF  
 Phone: 55/61/215-2121  
 Fax: 55/61/215-2232

#### Textile and Yarn Manufacturers

SINDITEXTIL - Syndicate of Textile and Yarn manufacturers of the State  
 of Sao Paulo  
 Rua Marques de Itu, 968  
 01223 Sao Paulo, SP  
 Phone: 55/11/66-0101  
 Telex: 11-24187  
 Contact: Luiz Americo Medeiros, President

#### Tourism

ABAV - Brazilian Association of Travel Agents  
 Av. Sao Luiz, 165 - 1 floor  
 01046-001 Sao Paulo, SP  
 Phone.: 55/11/231-3077  
 Fax.: 55/11/259-8327  
 Contact: Mr. Goianci Alves Guimaraes, President

BRAZTOA-COBRAT - Brazilian Tour Operators Association  
 Rua Marconi, 34 - 1 floor  
 01047-000 Sao Paulo, SP  
 Phone.: 55/11/259-9500  
 Fax.: 55/11/255-1226  
 Contact: Mr. Antonio Aluizio, President.

#### Transportation

FEPASA - Ferrovia Paulista S.A.  
 Rua Maua, 51 1 floor, Room 135  
 01028-900 Sao Paulo, SP  
 Phone: 55/11/220-9441 55/11/223-6236  
 Fax: 55/11/223-0227  
 Contact: Mr. Sergio Cunha, Assist. to the President

## Security and Safety

ANIMASEG (National Association of Manufactures of Safety Products)

Rua Tapajós, 627

Sao Paulo, SP

04153-001

Phone: 55/11/5581.5566

Contact: Raul Casanova Jr., Executive Secretary

ABRASEG - Brazilian Association of Agents, Retailers and Distributors of Safety Products)

Rua Afonso Bras, 295, cj.03

Sao Paulo, SP.

04511-010

Phone: 55/11/3044.0179

e-mail: rcasanova@originet.com.br

## Plastics

Instituto Nacional do Plástico

Avenida Paulista, 1313 / room 702

01311-923 - São Paulo - SP

Phone: 55/11/251-2926 - 251-3599

Fax: 55/11/289-6287

Contact: Mr. Candido Souza Lomba Neto, Director

Instituto Nacional do Plastico- National Plastics Institute is an association of plastics, resins and plastics machines manufacturers, that provides training courses.

ABIPLAST - Associação Brasileira da Indústria de Plástico

Avenida Paulista, 2439 / 8º floor

01311-936 - São Paulo - SP

Phone: 55/11/3060-9688

Fax:L 55/11/3060-9686

Contact: Mr. Merheg Cachum, President, Sr. Luciano Abramo, General Secretary

ABIPLAST - Brazilian Association of Plastics is the Brazilian Association of the Plastics Products Manufacturers

## AMERICAN CHAMBERS OF COMMERCE

### AMERICAN CHAMBER OF COMMERCE SAO PAULO

Rua da Paz 1431

04713-001 Sao Paulo, SP

Phone.: 55/11/5180-3804

Fax.: 55/11/5180-3777

E-mail: amhost@amcham.com.br.

### AMERICAN CHAMBER OF COMMERCE RIO DE JANEIRO

Praça Pio X 15, 5 floor

20040-020 Rio de Janeiro, RJ

Phone.: 55/21/203-2477

Fax: 55/21/263-4477

E-mail: achmbr@amchamrio.com.br.

## AMERICAN CHAMBER OF COMMERCE SALVADOR

Rua Toquato Bahia, 69 room 705

Edificio Raimundo Magalhaes

40015-110 - Salvador, BA

Phone: 55/71/242-0077

Fax.: 55/71/243-9986

## AMERICAN CHAMBER OF COMMERCE MINAS GERAIS

Rua Paraiba, 330/1302

30130-140 Belo Horizonte, MG

Phone: 55/31/273-7347

Fax 55/31/273-4656

E-mail: CompuServe 75332,3673

Internet: amchambr@embratel.net.br

AmchamNet (011) 524-5017 (8N1) 24hs

## MARKET RESEARCH COMPANIES

## Sao Paulo

Arthur D. Little S/C Ltda.

Av. Brig. Faria Lima, 1478, 2o. floor

01451-913 Sao Paulo, SP

Phone: 55/11/3039-1000

Fax: 55/11/815-7540

Contact: Mr. Moyses Gedanke, Vice-President.

Barros Ribeiro Planejamento, Consult/Rep. Ltda.

Rua Dr. João Climaco Pereira, 46

04532-070 Sao Paulo, SP

Phone: 55/11/820-7422

Fax: 55/11/820-0720

Contact: Mr. Samuel Ribeiro, Director.

Bichuetti Consult. Empresarial S/C Ltda.

Av. Brig. Faria Lima, 1541 - 6B

01451-000 Sao Paulo, SP

Phone: 55/11/813-9744

Fax: 55/11/816-0908

Contact: Mr. Jose Luiz Bichuetti, Director.

Booz-Allen &amp; Hamilton do Brasil Consultores Ltda.

Rua Gomes de Carvalho, 1765 - 5 floor

04547-200 Sao Paulo, SP

Phone: 55/11/820-1900

Fax: 55/11/820-6750

Contact: Mr. Oscar P. Bernardes, President.

Datamark Consultores S/C Ltda.

Av. Brig. Faria Lima, 1238 - 3 floor - cj. 31

01452-000 Sao Paulo, SP

Phone: 55/11/814-7355

Fax: 55/11/814-8890

Contact: Mr. William Graham Wallis, President.

Lindsey Consultores S/C Ltda.  
 Rua Bela Cintra, 1932  
 01415-002 Sao Paulo, SP  
 Phone: 55/11/280-8122  
 Fax: 55/11/853-7787  
 Contact: Mr. Richard Lindsey, Director.

M&L Magnus Landmann Consultores Empresariais.  
 Av. Brigadeiro Faria Lima, 1544 - 4 floor - cj. 41  
 01452-001 Sao Paulo, SP  
 Phone: 55/11/816-3144  
 Fax: 55/11/816-7864  
 Contact: Mr. Jorge F. Landmann, President.

Marketing Service Associates do Brasil S/C.  
 R. Prof. Luciano Venere Decourt, 33  
 04648-050 Sao Paulo, SP  
 Phone/Fax: 55/11/246-2322

MV Marketing and Consulting Services.  
 Rua Morgado de Mateus 314, conj. 32  
 04015-050 Sao Paulo, SP  
 Phone/Fax: 55/11/549 9430  
 Contact: Ms. Magda Völker, Director.

S. Bekin & Consultores Associados  
 Rua Estela, 265 casa 11  
 04011-001 Sao Paulo, SP  
 Phone: 55/11/572-3112  
 Fax: 55/11/572-3112  
 Contact: Prof. Saul F. Bekin, Director.

Simonsen Associados S/C Ltda.  
 Av. 9 de Julho, 5017 - 12 floor  
 01407-200 Sao Paulo, SP  
 Phone: 55/11/853-4733  
 Fax: 55/11/883-4958  
 Contact: Mr. Harry Simonsen, Jr. President.

World Trade Center.  
 Av. das Nações Unidas, 12551  
 04578-903 Sao Paulo, SP  
 Phone: 55/11/893-7100  
 Fax: 55/11/893-7101  
 Contact: Mr. José Candido Senna.

Brasilia, Distrito Federal

Alexandre Barros, Ph.D.  
 Early Warning  
 Risk Management & Government Relations  
 C.P. 09-2941  
 71609 Brasília - DF  
 SQS 315 Bloco A, Apt. 304  
 70384 Brasília - DF  
 Tel. 55/61/245-4795

Fax: 55/61/245-4350

Sérgio A. A. Moura  
ETROS Consultoria Ltda.  
Centro Empresarial Sul  
SCN Quadra D, Lote 2, Room 1007  
70710-500 Brasília, DF  
Tel: 55/61/225-5509  
Cel. 55/61/981-1206  
Fax: 55/61/225-5849

Fábio de Oliveira Pavan  
Pavan e Associados S/C Ltda.  
SRTS - Edif. Assis Chateaubriand, Room 403  
70340-906 Brasília, DF  
Tel: 55/61/224-7727  
Fax: 55/61/224-7843

#### Minas Gerais

BRANDT Meio Ambiente  
Av. Uruguai 13, 8/9o. floor - Bairro Sion  
30310-300 Belo Horizonte - MG - Brazil  
Phone: 55/31/281-2258  
Fax: 55/31/225-6929  
Contact: Mr. André de Souza or Mr. Wilfred Brandt, President  
\* Mining and environmental sectors, only.

Mr. Celus Resende  
Rua Espirito Santo, 2284 - 9. floor  
30160-032 Belo Horizonte - MG - Brazil  
Phone: 55/31/337-8681  
Fax: 55/31/337-2290  
\* Energy generation and heavy construction sectors, only.

Mr. Edimar Westin  
Rua Sergipe 457 - apt. 501  
30130-170 Belo Horizonte - MG - Brazil  
Phone: 55/31/273-9295  
Fax: 55/31/271-5866  
\* Mining sector, only.

EPC Engenharia Projeto Consultoria  
Rua da Bahia, 504 - 10/13o. floor  
30160-010 Belo Horizonte - MG - Brazil  
Phone: 55/31/271-1500  
Fax: 55/31/271-4299  
Contact: Mrs. Maria V. Schettino - Mr. Nunziato Schettino  
\* Mining sector, only.

Mr. Ernest Rudolf Herbig  
Av. do Contorno, 9215 room 402  
30110-060 Belo Horizonte - MG - Brazil  
Phone: 55/31/332-5454 (residential)  
Fax/phone: 55/31/291-9152  
\* Mining sector, only.



EXIMTRADE Traders & Consultores Int. Ltda  
 Rua Desembargador Cerqueira Leite, 65 Room 302  
 30550-210 Belo Horizonte - MG - Brazil  
 Phone: 55/31/312-2593  
 Fax: 55/31/374-1590  
 Contact: Mr. Silvino Silva  
 \* Steel and foundry sectors, only.

INTERNATIONAL TRADE AND DEVELOPMENT  
 C.P. 3001 Savassi  
 30112-970 Belo Horizonte - MG - Brazil  
 Phone: 55/31/581-1552  
 Fax: 55/31/581-1553  
 Cel: 00/55/31/982-4320  
 E-mail: krementz@br.homeshopping.com.br  
 Contact: Mr. Richard Krementz, III

INTERNEX Comércio Internacional  
 Rua Rodrigues Caldas, 726 - Room 1204  
 30190-120 Belo Horizonte - MG - Brazil  
 Phone/Fax: 55/31/337-9585  
 Contact: Mr. Cláudio Ferreira/Mr. Luiz Alcântara

STRATEGOS Consultoria e Representações Ltda.  
 Rua Ouro Fino, 395 - Room 301  
 30310-110 Belo Horizonte - MG Brazil  
 Phone: 55/31/227-2047/227-2575  
 Fax: 55/31/227-8008  
 Contact: Mr. Celedônio Santos  
 \* Chemical and plastic sectors, only.

PHENAX Assessoria Consultoria Imp. Exp. Ltda  
 Rua Santa Rita Durão, 444 - 7. floor  
 30140-110 Belo Horizonte - MG - Brazil  
 Phone: 55/31/227-6064  
 Fax: 55/31/227-7079  
 Contact: Mr. Evandro Santos/Mr. Nelson Macaroun  
 \* Energy sector.

POLLO Comércio Exterior  
 Rua Guajajaras 977 conj. 506  
 30180-100 Belo Horizonte - MG - Brazil  
 Phone: 55/31/22204161/4855  
 Fax: 55/31/222-4432  
 Cel: 55/31/981-1419  
 \* Consumer goods.

Egepar Engenharia Ltda  
 Av. Cristovao Colombo, 550 - Room 901  
 30140-150 Belo Horizonte - MG - Brazil  
 Phone/Fax: 55/31/261-6321  
 Contact: Mr. Carlos Passaglia  
 \* Especially mining and chemical sectors.

Rio de Janeiro

Maxima Consultoria  
 Rua Rodrigo Silva, 26, 21 floor  
 20011-040 Rio de Janeiro, RJ  
 Tel: 55-21-221-5339  
 Fax: 55-21-252-8459  
 Contact: Paulo Sergio Nascimento, Director

Ernst & Young  
 Av. Rio Branco, 128, 15  
 20042-900 Rio de Janeiro  
 Tel: 55-21-550-7070  
 Fax: 55-21-252-2746  
 Contact: Carlos Alberto Miranda, Financial Advisor

Makenzie Hill  
 Rua da Assembleia 92, 4 floor  
 20011-000 Rio de Janeiro - RJ  
 Phone: 55/21/507-4434  
 Fax: 55/21/232-9652  
 Contact: Marcus de Paula, Advisor  
 \*Real State and International Consulting

BFB - Bhering, Ferreira & Bleuler  
 Rua Pedro Lessa, 35, room 1010  
 20.030-030 Rio de Janeiro - RJ  
 Phone: (55 21) 262-3208  
 Fax: (55 21) 533-2993  
 Contact: Agostinho Ferreira, Advisor  
 \*Electricity, Oil, Gas, Pipeline Energy

Arthur Andersen  
 Predio Botafogo 300, 7o. floor  
 22250-040 Rio de Janeiro, RJ  
 Phone: (55 21) 559-4141  
 Fax: (55 21) 552-3253  
 \*Financing consulting

#### Country Commercial Banks

Most banks in Brazil operate as multiple banks, accumulating the functions of commercial and investment banks and are also active in the capital market. The ten largest Brazilian-owned private multiple banks according to deposit values are:

Banco Brasileiro de Descontos - BRADESCO - Sao Paulo;  
 Banco Itau - Sao Paulo;  
 União de Bancos Brasileiros - UNIBANCO - Sao Paulo;  
 Banco Bamerindus - Parana;  
 Banco de Crédito Nacional - BCN - Sao Paulo;  
 Banco Safra - Sao Paulo;  
 Banco Mercantil de Sao Paulo;  
 Banco América do Sul - Sao Paulo;  
 Banco Bandeirantes - Sao Paulo.

Banks in Brazil Which Operate with Eximbank Credit Lines

## Unibanco S.A.

Av. Eusebio Matoso 891 9o. Floor

05423-901 Sao Paulo, SP

Contact: Silvia Nucci Campedelli, Superintendent - Global Financial Institution

Phone: 55/11/ 867-4321

Fax: 55/11/ 814-0528

## Banco HSBC Bamerindus S.A.

Rua Doutor Seidel, 425 / 2 floor

05315 - 000 Sao Paulo, SP

Contacts: Ralph Summer, Director

Phone: 55/11/ 839-3180/5504-4349

Fax: 55/11/ 839-3483

## Banco Industrial e Comercial S.A. - BICBANCO

Rua Boa Vista 192 / 1 floor

01014-030 Sao Paulo, SP

Contact: Paulo Celso Del Ciampo, Director

Maria Fernanda Giacchetti, Financial Manager

Phone: 55/11/ 237-6834

Fax: 55/11/3107-5290

## Banco Credibanco S.A.

Av. Paulista 1294 / 21 floor

01310-100 Sao Paulo, SP

Contacts: Antonio Veriano de Assis, Director

Phone: 55/11/281-4890

Fax: 55/11/285-3431

## Banco Bradesco S.A.

Av. Ipiranga, 282 / 10 floor

01046-920 Sao Paulo, SP

Contacts: Edersio Depaula e Silva, Manager

Phone: 55/11/235-9334

Fax: 55/11/256-8742/235-9161

## Banco America do Sul

Av. Brigadeiro Luis Antonio, 2020 / 8 floor

01318-911 Sao Paulo, SP

Contacts: Paulino Aoto, Director

Phone: 55/11/281-1504

Fax: 55/11/253-1955

## Banco BMC

Av. Nacoes Unidas, 12995 / 23 floor

04578-000 Sao Paulo, SP

Contact: Germano Alves Cruz, Director

Phone: 55/11/5503 -1807

Fax: 55/11/5503 -7746

## Banco BCN

Av. Boa Vista, 208 / 6 floor

01014-904 Sao Paulo, SP

Contact: Ester Basilie, Director

Phone: 55/11/ 244 -1891

Fax: 55/11/ 244 -1814

Financial Companies and consultant that facilitate access to Eximbank Financing

NetPlan Corporate Finance Ltda.  
Rua Joaquin Floriano, 871 / 9 floor  
04534-013 Sao Paulo, SP  
Contact: Ronald Leal, President  
Phone: 55/11/ 829-8218  
Fax: 55/11/ 829-8218  
(Agent of The First bank of New England in Brazil)

Guardian SC Ltda.  
Av. Brigadeiro Faria Lima, 1651 conj. 504/505  
01451-001 Sao Paulo, SP  
Contact: Joao Carlos Saldanha da Gama, Consult  
Phone: 55/11/ 814-8799  
Fax: 55/11/ 815-5977  
(Consultant -Facilitates access to Eximbank Financing)

Banco Santos  
Av. Paulista, 1842 / 4 floor  
01310-200 Sao Paulo, SP  
Contact: Jorge A. Vajda  
Phone: 55/11/ 269-6141  
Fax: 55/11/ 283-2173  
(Facilitate access to Eximbank financing)

M.T. Brazil Corp. Finance  
Al. Joaquim Eugenio de Lima 680 / 4 floor  
01403-901 Sao Paulo, SP  
Contact: Newton Santana, Director  
Phone: 55/11/ 289-8100  
Fax: 55/11/ 289-8100  
(Agent of the First Bank of New England in Brazil)

#### U.S. Mission In Brazil

Brasília - BSB:

Tel: 55/61/321-7272  
Ambassador vacant  
Deputy Chief of Mission Gerrad M. Gallucci  
Economic Counselor Brian Stickney  
Deputy Senior Commercial Officer Keith Curtis  
Agricultural Counselor Finn Rudd

Homepage: <http://www.american-embassy.org.br>

Sao Paulo - SP:

Tel: 55/11/881-6511  
Consul/General Gwen Clare  
Consul/Economic Affair Kenneth Davis  
Agricultural Officer Mark Lower

Tel: 55/11/853-2811  
 Senior Commercial Officer Miguel Pardo de Zela  
 Principal/Post Commercial Officer Julia Rauner-Guerrero  
 Commercial Officer Alan Long

Rio de Janeiro - RJ:

Tel: 55/21/292-7117  
 Consul General Cristobal Orozco  
 Principal Commercial Officer Judith Henderson  
 Consul/Economic Affair Carl Schonander

Belo Horizonte - BH:

Tel: 55/31/213-1571  
 Principal Commercial Officer Sean Kelley

List of Attorneys in Brazil (\*1) (\*2)

Minas Gerais

Ferreira & Chagas  
 Advogados Associados  
 Attn.: Mr. Marcus Gontijo  
 Rua Aymorés, 2480 room 601  
 30140-072 Belo Horizonte MG  
 Tel.: (55/31) 292-2638  
 Fax.: (55/31) 291-7752

A&A Advocacia & Administração  
 Attn.: Mr. Randolpho Diniz Neto  
 Rua Alvares Cabral 1833, room 503  
 30170-001 Belo Horizonte MG  
 Tel.: 55/31/291-7910  
 Fax: 55/31/291-8013

Dias Corrêa & Vaz  
 Attn.: Mrs. Isabel Vaz  
 Rua Ceará, 1431 1o. floor - Bairro dos Funcionarios  
 30150-311 Belo Horizonte MG  
 Tel.: 55/31/273-1234  
 Fax.: 55/31/273-1222

Astolpho, Silva, Marafon e Orlando  
 Advogados Associados S/C  
 Attn.: Mr. João Dácio Rolim  
 Rua Matias Cardoso, 63 8o. floor  
 30170-000 Belo Horizonte MG  
 Tel.: (55/31) 335-0242  
 Fax.: (55/31) 335-1776

Grebler, Pinheiro, Mourão & Raso - Advogados  
 Attn.: Mr. Antônio Guimarães Pinheiro  
 Av. Afonso Pena, 3130 10o. floor

30130-009 Belo Horizonte MG  
Tel.: (55/31) 223-6111  
Fax.: (55/31) 225-2529

Azevedo Sette Advogados Sociedade Civil  
Attn.: Mr. Ricardo Azevedo Sette  
Av. Afonso Pena, 3111 room 706  
30130-008 Belo Horizonte MG  
Tel.: (55/31) 223-2866  
Fax.: (55/31) 227-6170

LF&A - Luiz de França e Associados  
Advogados Marcas e Patentes  
Attn.: Mr. José Luiz de França  
Rua São Paulo, 1817  
30170-000 Belo Horizonte MG  
Tel.: (55/31) 335-8244

#### SÃO PAULO

AMARAL GURGEL & FREIRE - ADVOGADOS  
Sabine Ingrid Schuttoff  
Vladimir Lisso  
Av. Cidade Jardim, 377 - 5º floor  
01453-900 - São Paulo - S.P.  
Tel: 55/11/852-9633  
Fax: 55/11/64-2171

ARAUJO E POLICASTRO E PORTUGAL ADVOGADOS  
Camila Araújo  
Av. Brigadeiro Faria Lima, 2894 - 11º floor  
01452-002 - São Paulo - S.P.  
Tel: 55/11/820-2566  
Fax: 55/11/820-2120

BEKIN, SANTOS, REMOR, FURRIELA E GENNARI  
Manoel J. Pereira dos Santos  
Fernando Nabais da Furriela  
Av. Dr. Cardoso de Mello, 1750 - 7º floor  
04548-005 - São Paulo - S.P.  
Tel: 55/11/829-6688/820-9655  
Fax: 55/11/829-3743

DANNEMAN-SIEMSEN-BIGLER & IPANEMA MOREIRA  
Rodolfo Humberto Martinez Jr.  
Av. Indianópolis, 2433  
04063-005 - São Paulo - S.P.  
Tel: 55/11/275-9677  
Fax: 55/11/577-3915

ESCRITORIO VILLEMOR AMARAL  
Attila de Souza Leão Andrade Jr.  
Av. Nove de Julho, 4413  
01407-100 - São Paulo - S.P.  
Tel: 55/11/887-0977  
Fax: 55/11/887-0217

## FISCHER E FORSTER - ADVOGADOS

Georges Fischer  
Av. Cidade Jardim, 377 - S/L - Jardim Europa  
01453-900 - São Paulo - S.P.  
Tel: 55/11/881-2100  
Fax: 55/11/282-6629

## MACHADO, MEYER, SENDACZ E OPICE ADVOGADOS

Antonio de Souza C. Meyer  
Rua da Consolação, 247 - 8º floor  
01301-903 - São Paulo - S.P.  
Tel: 55/11/3150-7000  
Fax: 55/11/257-9137

## MONSEN, LEONARDOS E CIA

Flávio S. Leonardos  
Av. São Gabriel, 495 - 5º floor  
01435-001 - São Paulo - S.P.  
Tel: 55/11/280-2646  
Fax: 55/11/64-2855

## PINHEIRO NETO ADVOGADOS

Fernando B. Pinheiro  
Rua Boa Vista, 254 - 8º floor  
01014-907 - São Paulo - S.P.  
Tel: 55/11/237-8400  
Fax: 55/11/237-8600

## PINHEIRO, NUNES, ARNAUD, RAMAZZINNI &amp; SCATAMBURLO

Emilio Scatamburlo  
Rua José Bonifácio, 93 - 7º e 8º floors  
01003-901 - São Paulo - S.P.  
Tel: 55/11/37-4001  
Fax: 55/11/34-8037

## SUL AMERICA MARCAS E PATENTES S/C LTDA.

Luís Armando Lippi Braga  
Rua Luiz Goes 1296  
04043-150 - São Paulo - S.P.  
Tel: 55/11/5584-0933  
Fax: 55/11/5581-3858

## TOZZINI E FREIRE ADVOGADOS

Syllas Tozzini  
Rua Libero Badaró, 293 - 20º floor  
01095-900 - São Paulo - S.P.  
Tel: 55/11/232-2100  
Fax: 55/11/232-3100

## SAO PAULO - OTHER REGIONS

## TAVOLARO E TAVOLARO ADVOGADOS

Agostinho Toffoli Tavoraro  
Rua 14 de Dezembro, 10  
13015-130 - Campinas - S.P.  
Tel: 55/192/231-7933

Fax: 55/192/231-7092

#### Rio de Janeiro

CUSTÓDIO DE ALMEIDA & CIA.  
Rua Álvaro Alvim 21, 19° floor  
20.031-010 Rio de Janeiro, RJ  
Phone: (55 21) 240-2341  
Telex: (55 21) 33557 AGTX BR and  
FAX: (55 21) 220-0312, 240-2491

GARCIA & KEENER ADVOGADOS  
Avenida Rio Branco 99, 15° floor  
20.040-004 Rio de Janeiro, RJ  
Phone (55 21) 203-2466  
Telex: (55 21) 22664 JGUK BR  
FAX: (55-21) 233-3184

ZAIRÓ LARA FILHO & ADVOGADOS ASSOCIADOS  
Rua México 119, room 909  
20.017-900 Rio de Janeiro, RJ  
Phone (55 21) 220-8019  
FAX (55-21) 262-3075

GAMA, OSÓRIO, MAYA E SABOYA - ADVOGADOS  
Praça XV de Novembro, 34 - 7° floor  
20.010-010 Rio de Janeiro, RJ  
Phone: (55 21) 224-0561  
FAX: (55-21) 231-0905

#### U.S. GOVERNMENT AGENCIES

All those telephone numbers without area codes are Washington DC (202)

AGRICULTURE (USDA)  
Patricia Sheikh, Trade Policy  
Tel: (202) 720-6887  
Charles Alexander, Trade Promotion  
Tel: (202) 690-0159  
Steve Hammond, U.S. Import Policies and Program Division  
Tel: (202) 720-2916

AID  
Babette Prevot  
Tel: (202) 647-4359

BXA  
Bob Dunn  
Tel: (202) 482-3984  
Fax: (202) 482-5650

CENSUS/Population  
John Reed, Demographer  
Tel: (202) 457-1358  
Trade Figures, Foreign Trade-L.A. Countries  
Tel:(301) 457-3041



COMMERCE (USCS)

Dorothy L. Lutter(USCS), Regional Director  
Tel: (202) 482-2736

COMMERCE (ITA)

John Anderson, Director of the Southern Cone Division  
Tel: (202) 482-1743  
Carlos Cavagno, Brazil Desk  
Tel: (202)482-3872  
Paulo Mendes, Brazil Desk  
Tel: (202) 482-3872

COMMERCE (BEA)

Ray Malaloni, Outward Investment  
Tel: (202) 606-9865  
Greg FouchInward, Investment  
Tel: (202) 606-9831

COMMERCE (Import Administration)

Stephen McCollough, Latin American Industry Specialist  
Tel: (202) 482-4202/5834  
Brian Albright, AD/CVDs  
Tel: (202) 482-3762

CUSTOMS

Douglas M. Browning, International Affairs  
Tel: (202) 927-0440  
Gregory Saxton, U.S. Customs Officer  
Tel: (202) 927-1771

DEFENSE

Lorraine McMillan, Brazil Desk  
Tel:703-6952520

ENERGY

Moustafa Soliman, Latin America  
Tel: (202) 586-5904

EPA

Carmeryl Hill-Macon, Latin America Program  
Tel: (202) 260-6009

EXIMBANK

Marion Hinchman, Senior Loan Officer  
Tel: (202) 565-3410  
Deborah Moranese, Loan Officer - Brazil  
Tel: (202) 565-3416  
John Beckham, Promotion Officer  
Tel: (202) 565-3913

HHS-FDA

Marilyn Veek, International Affairs/Americas  
Tel: 301-827-4480

INTERIOR (Minerals)

Alfredo Gurmendi Latin America

Tel: 703-648-7745

INTERNET ASSOC.

Tel: 201-928-4008

LABOR

Suda Haley, Officer; Foreign Affairs

Tel: 219-6257

MARINE FISHERIES

Dennis Weidner, Latin America

Tel: 301-713-2286

Sennen Salapare, Latin America

Tel: 301-713-2383

NIST

Joanne Overman, NCSCI/NIST

Tel: 301-975-4037

Mary Saunders, Brazil

Tel: 301-975-2396

Raymond Kammer, Deputy Director

Tel: 301-975-4119

Sharrill Dittmann, Chief, Calibration Program

Dr. Stanley Warshaw, Policy Advisor

Tel: 301-482-3022/5620

NOAA

Chuck Woldridge, NESDIS

Tel: 301-457-5214

NTDB

Hotline: 800-STAT-USA

Trade Information Center Hotline: 800-USA-TRAD

USGS

Floyd Grey

Tel: 602-670-5582 602- 670-5113

NTIA

Nancy Eskenazi, Brazil

Tel: (202) 482-1864 482-1865

OPIC

Lila Granda, Insurance

Tel: (202) 336-8664, fax: (202) 408-5142

Bruce Camerun, Business Development

Tel: (202) 336.8745

PTO

Richard Wilder, Brazil

Tel: 703-305-9300

STATE/ARA

Donald Planty, Director, Brazil and Southern Cone

Tel: 647-6541

Eric Luftman,

Economic Officer

647-2326 736-7481

Diana Page, Political Officer

Tel: 647-0443

STATE/ECP

Dennis Finnerty, Regional Organizations

Tel: 647-2345

TDA

Albert Angulo, Regional Director, Latin America

Tel: 703-875-4357

Nathan Young, Program Officer

Tel: 703-875-4357

TRANSPORTATION

Gwen Baker, Latin America

Tel: 366-9521 366-7417

TREASURY

Anthony Marcus, Brazil Desk

Tel: 622-1218

USIA

Michael Korff, Brazil Desk

Tel: 619-6835

Sarah Dupree, Senior Program Officer

Tel: 619-5245

Bruce Wharton

USTR

Peter Allgeier, Associate USTR

Tel: (202) 395-5190 395-3911

Karen Chopra, Director Southern Cone

Tel: 395-5190395-9675

2. INTERNATIONAL FINANCIAL INSTITUTIONS, Washington, D.C.\*

World Bank (IBRD)

Gobind Nankami, Director

458-4641

Agriculture & Environment

Constance Bernard

458-5175

Country Operations

Dany Leipziger

Paul Meo

Jim Steve

473-8452

473-8452

473-1869

Infrastructure Division

Asis Faiz

473-0001

Inter-American Development Bank

Larry Harrington, U.S. Executive Director

623-1031

Int'l Monetary Fund (IMF)

Jose Fajgenbaum Division Chief, Brazil

623-8637

OAS

U.S. Mission to the OAS John Bowen

647-9482

SICED (Foreign Trade Database)

Robin A. King, Chief, Trade Unit

Miguel Rodrigues Mendonca

458-3659

458-3181

#### APPENDIX F - MARKET RESEARCH

ISAs FY 1999

Sector	Date	Prepared by
Waste Water Treatment Concessions,	November, 1998	A. Possik/T. Mendonça
Environmental Engineering Consulting	December, 1998	A. Possik/T. Mendonca
Food Processing Machinery - MERCOSUL	December, 1998	Igly Serafim
Air Pollution Control Equipment	January, 1999	A. Possik /T. Mendonca
Pharmaceutical Products	January, 1999	Tereza Mendonca
Computer Software	March 1999	Renato Bastos
Medical Equipment	March, 1999	Clovis Lemes
Architecture and Consulting Services,	April 1999	Marina Konno
Pay TV	April, 1999	Renata d'Almeida
Conveyor Belt Systems	April, 1999	Mauricio Vasconcellos
Passanger Rail Systems,	April, 1999	Alan Baptista
Plastics Production Machinery,	May, 1999	Teresa Wagner
Thermal Power Generation	June, 1999	Regina Cunha
Textile Fabrics,	July, 1999	Ana Paula Ulandovski

Aircraft and Parts	August, 1999	Renata d'Almeida
Shipyard Equipment	November, 1999	Etienne Kvassay
ISAs FY 2000		
Sporting Goods	December, 1999	Patricia Marega
Electric Security Equipment	December, 1999	Marina Konno
Computer Software	February, 2000	Genard Burity
Oil & Gasfield Machinery	April, 2000	Etienne Kavassay
Drilling Equipment	April, 2000	Etienne Kavassay
Hotel and Restaurant Equipment	April, 2000	Ana Tereza Mendonça
Dental Equipment	April 2000	Clovis Lemes
Franchising	April 2000	Vacant
Internet Services	April 2000	Vacant
Autoparts	May 2000	Teresa Wagner
Printing and Graphic Machinery	June 2000	Igly Serafim
Mining Equipment	June 2000	Mauricio Vasconcelos
Electrical Power Distrib. Equipment	July, 2000	Regina Cunha
Transportation	July 2000	Vacant
Irrigation Equipment	August 2000	Vania Resende

## APPENDIX G -TRADE EVENTS SCHEDULE

Sept/Oct 99	Study'99	SP
Nov 99	Ethnics'99	SP
Nov 99	Techtextil Brazil	SP
Jan 00	Dental Show'00	SP
April 00	Visit USA	SP
June 00	Hospitalar	SP

August 00	Cosmetica	SP
Sept. 00	Equipotel	SP
Sept. 00	Study'00	SP
Nov. 00	Ethnics'00	SP

Analitica Latin America                      SP

US-Brazil Aerospace  
Industry Summit                                      BSB

## APPENDIX H - GUIDE TO COMMERCIAL SERVICES

### UNITED STATES COMMERCIAL SERVICE IN BRAZIL

#### GUIDE TO COMMERCIAL SERVICES

The Brazilian market offers significant opportunities for U.S. exporters. The U.S. Commercial Service is on the ground in Brazil to assist your company in maximizing its export potential in this dynamic and diverse country. The first step is for you to contact the U.S. Export Assistance Center (EAC) nearest you to familiarize yourself with the U.S. Commercial Service's export promotion programs and to access important market reports. Contact information for the EACs and other key information on exporting are available by dialing 1-800-USA-TRADE.

The United States Commercial Service in Brazil (USCS/Brazil) offers a variety of products and services to facilitate U.S. exports, as outlined in this guide. USCS Brazil is also positioned to consider any legitimate request by a U.S. company for export assistance, negotiated on a fee or non-fee basis. CS Brazil hosts offices in the cities of Belo Horizonte, Brasilia, Porto Alegre, Rio de Janeiro and São Paulo. São Paulo is also the site of USCS/Brazil's Commercial Center, a facility where U.S. exporters and Brazilian importers can develop business supported by the very latest in "user-friendly" information technologies. All other offices offer similar support through institutional partners.

This Guide outlines the market research, trade contact, trade promotion and facilities support available to U.S. exporters seeking opportunities in the Brazil market. Also, for your convenience visit our web site: [www.focusbrazil.org.br](http://www.focusbrazil.org.br). Specific requests for these products/services or any other requests for export assistance should be addressed to USCS Brazil/Head Office at any of the addresses below:

U.S. Mailing Address:	Street Address:	Electronic Address:
Head Office/Brazil	Head Office/Brazil	Tel: 55/11/853-2811
U.S. Commercial Center	U.S. Commercial Center	Fax: 55/11/853-2744
AMCONGEN Sao Paulo	Rua Estados Unidos,1812	Email:
Unit 3502 01427-002	Sao Paulo, SP	Hoffice@mail.doc.gov or
APO AA 34030-3502 Brazil		Hoffice@dialdata.com.br

Web

[www.focusbrazil.org.br](http://www.focusbrazil.org.br)

Best prospects for u.s. exports

The best prospect sectors for U.S. exports to Brazil as identified and analyzed by USCS/Brazil include:

Agriculture Machinery & Eq. (AGM)  
 Aircraft/Aircraft Parts (AIR)  
 Airport/Ground Support Equip. (APG)  
 Aviation/Helicopter Services (AHS)  
 Arch./Construction/Engineering Svcs (ACE)  
 Automotive Parts (APS)  
 Building Products (BLD)  
 Computer Hardware/Software (CPT/CSF)  
 Construction Machinery (CON)  
 Cosmetics and Toiletries (COS)  
 Defense Industry Equipment (DFN)  
 Drugs & Pharmaceuticals  
 Electrical Power Systems (ELP, PTE, REQ)  
 Electronics Industry Prod/Test Equip. (EIP)  
 Environ Tech (POL, WRE)  
 Food Processing/Packaging Equipment (FPP)  
 Franchising (FRA)  
 Hotel/Restaurant Eq. (HTL)  
 Iron & Steel (ERS)  
 Laboratory Scientific Instruments. (LAB)  
 Metalworking Machinery (MTL)  
 Medical Equipment (MED)  
 Mining Industrial Equip. (MIN)  
 Oil & Gasfield Machinery (OGM)  
 Packaging Equipment (PKG)  
 Plastic Production Machinery (PME)  
 Port and Shipbuilding Equipment (PRT)  
 Process Controls - Industrial (PCI)  
 Security & Safety Equipment (SEC)  
 Sporting Goods/Recreational Equip (SPT)  
 Telecommunications (TEL/TES)  
 Textile Fabrics (TXF)  
 Transportation Services (TRN)  
 Travel/Tourism Services (TRA)

#### USCS/BRAZIL PRODUCTS AND SERVICES

CS Brazil products and services can attend to your company's needs in exporting to Brazil from addressing basic market inquiries, to identifying a qualified local partner, to organizing a highly sophisticated trade promotion event. CS Brazil also offers high caliber facilities for U.S. companies to promote their product and meet with prospective Brazilian buyers.

These products and services are designed as progressive tools for use by your company in advancing into the market in the following categories: Market Intelligence, Trade Contacts, and Market Promotion, as displayed in the following flow chart and described on the following pages:

I. MARKET INTELLIGENCE - CS Brazil can orient U.S. exporters regarding market opportunities ranging from the general business environment to company and product specific market entry plans.

Complementary Products: USCS/Brazil produces a considerable number of market research reports on Brazil, focusing on "best prospects". They are available at no cost to the U.S. exporter from U.S. Export Assistance Centers or from the CS Brazil Web Site: [www.focusbrazil.org.br](http://www.focusbrazil.org.br).

These include:

- Country Commercial Guide (CCG): A comprehensive report on the general business environment in Brazil with an emphasis on market access, investment issues and general information on markets of opportunity.
- Industry Sector Analysis (ISAs): Detailed reports analyzing market opportunities for best sectors for U.S. exports in Brazil. ISAs contain market assessment and outlook supported by statistics; a review of competition and market shares; market access information; best sales prospects; and trade contacts.
- International Market Insights (IMIs): Reports on specific market opportunities and major projects giving background and guidance on how to take advantage of the opportunity.

Fee-Based Products: The following reports can be developed for a U.S. exporter upon request for a fee. These are business confidential products tailored to the U.S. company's product/service whose final results are not available to the public.

- Market Profile Report: This report offers the U.S. exporter market information to evaluate the competitiveness of its product/service and its receptivity in the market in order to determine whether to further pursue market entry. The 4-6 page report highlights sector and product/service specific market outlook for the U.S. exporter in Brazil and includes interviews with a limited sampling of importers, distributors, manufacturers, and end-users regarding the U.S. company's product/service. Also, it includes information on product/service specific tariff and non-tariff barriers, as well as key information on current import volumes, leading importers of the product, product/service relevant trade shows, trade associations, and industry publications. Harmonized System number(s) must be provided. Available within 2-4 weeks of request. Fee: US\$450

- Customized Market Analysis (CMA): A concise report generated upon request examining the competitiveness of a specific U.S. product or service in the Brazilian market. The report covers key marketing facts such as sales potential, comparable products and their prices, distribution channels, and qualified purchasers. This report is confidential and is available only to the requesting U.S. company. Available within 60 days of request.

Fee: US\$3,800.



- Customized Market Research: The U.S. client can also propose its own research design for CS Brazil to perform. Scope of work, timing, and fees to be directly negotiated with CS Brazil based on staff time required and incidental expenses.

II. TRADE CONTACTS - CS Brazil offers a menu of options for the U.S. exporter to identify potential business partners that meet its qualifications, from basic lists to pre-screened and qualified companies. CS also offers important tools for active follow up with interested partners to assist in turning a contact into a business success.

- Silver Key List (SK): A list of 10-20 specific contacts relevant to the U.S. company requested product/service. Includes contact information and a brief description of the company. The U.S. Company is responsible for any follow-up contact with Brazilian counterparts. Available within 5-10 days of request. Fee: US\$150

- Virtual Gold Key: CS Brazil represents the U.S. company in formally presenting its product/service to Brazilian companies meeting the U.S. exporter's specifications (distributor, end user, licensee partner, etc) and company criteria. Presentations are made in the form of a telephone call, delivery of company literature with CS letter of introduction, and follow up telephone calls to solicit interest. If geographically viable, a CS representative visits the interested Brazilian company(ies) to ascertain their preparedness for the proposed business venture with the U.S. client. A detailed report is provided back to the U.S. exporter on all local companies contacted and their comments. For those interested Brazilian companies, detailed company profiles are also provided.

U.S. companies using the Virtual Gold Key can also take advantage of the following services at no additional cost: translation of introduction letter into Portuguese; a one-hour U.S. initiated teleconference meeting arranged by CS between the U.S. company and prospective Brazilian partner(s) (professional interpreter costs extra if needed), in-country appointments arranged by CS based on Virtual Gold Key contacts established. Also, for an additional cost-recovery based fee, CS Brazil can arrange a videoconference meeting between the U.S. and Brazilian companies using a private studio (average studio rate US\$150/hour). Available within 6 weeks of request. Fee: US\$525 in primary markets (Brasilia, Belo Horizonte, Rio de Janeiro, Salvador, and Sao Paulo); US\$375 in secondary markets (Porto Alegre, and Victoria).

- Gold Key Service: USCS/Brazil develops for visiting U.S. exporters a pre-screened set of appointments with Brazilian companies meeting the U.S. company specifications and with expressed interest in a potential business arrangement with the visiting firm. CS schedules 4 appointments per day and meetings are generally held at the Brazilian company location. CS Brazil will make an initial hotel reservations and/or arrange an interpreter/driver upon receipt of the U.S. company's credit card. Any changes in reservation are the responsibility of the U.S. company. Available within 6 weeks of visit. Fee: US\$450 in primary markets (Brasilia, Belo Horizonte, Fortaleza/Recife, Rio de Janeiro, Salvador, and Sao Paulo); US\$300 in secondary markets (Porto Alegre, and Victoria)

- Trade Missions: Customized visits by groups of U.S. exporters for an intensive program of individual meetings with pre-screened local companies, business briefing, and normally a representational event. Can also include plant tours and government meetings. Available within 3-4 months of confirmed request. Fee: Negotiated by Event; Range US\$1,350 - US\$2,500 per company.

- Customized Trade Contact Services: The U.S. client can also propose its own trade contact activity for CS Brazil to perform. Scope of work, timing, and fees to be directly negotiated with CS Brazil based on staff time required and incidental expenses.

III. Trade Promotion - USCS/Brazil organizes a wide range of promotional activities to assist U.S. companies in proactively promoting their U.S. products and services in Brazil.

- Trade Exhibits: With this set of services, a potential exporter may participate as an exhibitor at a U.S. Pavilion within a large, established trade exhibit. Such participation includes distinctive decor, freight handling and customs expediting services, targeted announcements to the trade public, and a search for prospective clients. See current list on the Web Site or request from the Head Office in Sao Paulo. Fee: Range between US\$3,000 and US\$5,000 per booth.

- Company Promotion/Technical Presentation Event: A Promotional or Technical Presentation Event offers individual or groups of companies a high visibility venue at the Commercial Service (CS) to present its products or services to a tailored audience of Brazilian clients. The requesting company provides input regarding the specific venue and audience, which generally includes a 3-hour program initiated by an official U.S. Government followed by detailed company presentation and question/answer session. Fee includes official CS event space with presentation equipment, audience development costs, and light refreshments. Available within 1 month of request. Fee: Range US\$1,000 - US\$2,250 plus US\$1,000 for cost of simultaneous interpretation (if necessary).

- Video Conference Promotion: CS Brazil offers video conference programming for groups or individual companies. Group videoconferences generally consist of a 1-2hour program with U.S. and Brazilian audiences focusing on a specific industry/service issue. CS through cooperation with the U.S. Information Agency arranges the studio to receive the U.S. call via OVC (Digital Videoconference lines), brings together qualified presenters/discussants on the subject, and moderates the program from Brazil. For individual videoconferences, CS arranges the videoconference at the U.S. Commercial Center or a private site, confirms the Brazilian participant(s), arranges an interpreter, and moderates the program if requested. Group videoconference available with 1-month lead time; individual videoconference available with 1 week lead time. Fee: To be determined by the actual cost of facilities and services required to implement; Range: US\$175 - US\$1,300 (with call originating in the United States).

- Customized Trade Promotion Services: The U.S. client can also propose its own trade promotion activity for CS Brazil to perform.

Scope of work, timing, and fees to be directly negotiated with CS Brazil based on staff time required and incidental expenses.

#### IV. CS Brazil Facilities

CS Brazil offices in Belo Horizonte, Brasilia, Rio de Janeiro, Porto Alegre, and São Paulo also offer facilities for U.S. companies to conduct business and promote their products and services, including auditoriums, meeting rooms, and facilities for catered events. The U.S. Commercial Center in São Paulo, "SPCC", is one of just four U.S. Commercial Centers around the world. The SPCC is a place designed for U.S. exporters and Brazilian importers to conduct business in a full support environment. The SPCC offers individual company office spaces with the latest in information technologies, meeting areas for individuals and groups, an auditorium for presentations to targeted audiences, and indoor and outdoor areas for receptions. Full information on each site, including a fee schedule, is available upon request by contacting HOffice@mail.doc.gov

#### BRAZIL - SECTOR TEAMS

SECTOR	COORDINATOR MEMBERS
Agriculture Machinery & Eq. AGM)	I.Serafim,SP
Aircraft/Aircraft Parts (AIR)	R.D'Almeida, BSB
Airport/Ground Support Equip. (APG)	R. D'Almeida, BSB
Arch./Construction/ Engineering Svs (ACE)	M.Konno,SP
Aviation/Helicopter Services(AHS)	R.d'Almeida, BSB
Automotive Parts(APS)	T.Wagner,SP
Building Products(BLD)	M.Konno,SP
Computer Hardware/Software (CPT/CSF)	L.Wong, SP
Construction Machinery (CON)	M.Konno,SP
Cosmetics and Toiletries (COS)	J.C. Lemes,SP
Defense Industry Equipment (DFN)	R.d'Almeida,BSB
Drugs & Pharmaceuticals	T.Mendonça,BSB
Electrical Power Systems	R.Cunha,RJ

Electronics Industry Prod/Test Equip.	Vacant/SP
Environ Tech (POL, WRE)	T.Wagner,SP
Food Proces./Pack. Equip. (FPP)	I.Serafim,SP
Franchising (FRA)	P.Marega (acting),SP
Hotel/Restaurant Eq.(HTL)	T.Mendonca,BSB
Iron & Steel (ERS)	M.Vasconcellos,BH
Laboratory Scientific Instr.(LAB)	J.C.Lemes,SP
Metalworking Machinery(MTL)	T.Wagner,SP
Medical Equipment(MED)	J.C.Lemes,SP
Mining Industrial Equip.(MIN)	M.Vasconcelos,BH
Oil & Gasfield Machinery(OGM)	E.Kvassay,RJ
Packaging Equipment(PKG)	I.Serafim,SP
Plastic Production Machinery(PME)	T.Wagner,SP
Printing and Graphic Arts Equip. (PGA)	I.Serafim,SP
Port and Shipbuilding Equip(PRT)	E.Kvassay,RJ
Process Controls-Indust.(PCI)	Vacant,SP
Security & Safety Equip.(SEC)	M.Konno,SP
Sporting Goods/Recr.Equip(SPT)	P.Marega,SP
Telecommunications (TEL/TES)	R.d'Almeida,BSB
Textile Fabrics (TXF)	Vacant, SP
Transportation Services(TRN)	M.Konno,SP
Travel/Tourism Services(TRA)	J.Haddad,SP
All Other Sectors (CBS)	L. Lins, SP

Note: BSB = Brasília; BH = Belo Horizonte; RJ = Rio de Janeiro; SP = São Paulo

#### SUPPORT ACTIVITIES

FINANCIAL - J. Henderson

BNDES(Banco Nacional de Desenvolvimento Economico e Social)

EXIMBANK (Export & Import Bank of the United States)  
 IDB (International Development Bank)  
 OPIC (Overseas Private Investments Corporation)  
 WB (World Bank)

#### REGULATORY - K. Curtis

Advocacy / Major Projects  
 BXA (Bureau of Export Administration)  
 Non-Tariff Barriers  
 NIST (National Institute of Standards and Technology)

#### TRADING ENVIRONMENT - S. Kelley

FTAA (Free Trade of Americas)  
 MERCOSUL (Mercado Comum Sul-Americano)  
 WTO (World Trade Organization)

#### PROGRAMS - J. Rauner

MDCP (Market Development Cooperator Program)  
 TDA (Trade & Development Agency)  
 States & Associations  
 OSAC (Overseas Security Advisory Council)

#### United States Department of Agriculture Services in Brazil

The United States Department of Agriculture in Brazil is represented by the Office of Agricultural Affairs (OAA) located at the American Embassy in Brasilia, and by the Agriculture Trade Office (ATO) in São Paulo. Both offices assist U.S. exporters of food and agricultural products by providing current information on exporting these products to Brazil, registering U.S. companies with the Brazilian Ministry of Agriculture - MAA to become eligible to export to Brazil, and providing contact information for further information regarding the Brazilian food and agriculture market. These offices are local points for U.S. market development activities in Brazil, and can provide lists and catalogues of Brazilian importers, distributors, agents and wholesalers in order to facilitate contact with Brazilian buyers.

In order to obtain assistance, please contact OAA Brasilia or ATO São Paulo at the following addresses:

#### APO Address:

Office of Agricultural Affairs - OAA  
 Office -  
 AmEmbassy, Brasilia  
 Unit: 3500  
 APO AA 34030

Agriculture Trade  
 ATO  
 AmConGen  
 Unit: 3502  
 APO AA 34030

#### Street Address:

Embaixada dos Estados Unidos - FAS  
Office  
SES - Av. das Nações - Qd. 801 - Lote3  
70403-900 Brasilia - DF  
11  
Paulo - SP

Tel.: (55 61) 226-3159  
Fax: (55 61) 226-6784

Agriculture Trade  
Alameda Santos, 2224  
Ed. Suarez Trade, Conj.  
01418-200 São

Tel: (55 11) 282-3528  
Fax: (55 11) 883-7535

AgExport Connections Service is also provided by the USDA offices in Brazil. This service is managed in FAS Washington by use of satellite communication to keep U.S. sellers and exporters informed of foreign buyers needs. This service consists in the "Foreign Buyer List" which contains information on more than 15,000 foreign buyers of U.S. food and agricultural products, and the "Buyer Alert", which are lists of exporters of these products, distributed to foreign buyers. For more information, please contact one of our offices in Brazil or the AgExport Connections office in Washington D.C. at telephone (202) 690-3416 and fax (202) 690-4374.

#### Sector Coverage:

USDA also reports on some commodities identified as potential opportunity markets for a number of agricultural and food products. Reporting responsibilities are divided between the two offices (OAA/Brasilia and ATO/São Paulo). Requests for assistance should be directed to the office that reports on that commodity (please see list below).

Reports (with very few exceptions) are available at the FAS homepage or the Internet at <http://www.fas.usda.gov/>, generally within three days of submission to Washington.

#### OAA/BRASILIA AND ATO/SÃOPAULO COMMODITIES REPORTS

Commodity	Office
Citrus	São Paulo
Cocoa	Brasilia
Coffee	São Paulo
Cotton	São Paulo
Dairy	Brasilia
Grain and Feed	Brasilia
Livestock	Brasilia
Oilseeds Products	São Paulo
Planting Seeds	Brasilia
Poultry	Brasilia
Sugar	São Paulo
Tobacco	São Paulo
Tomatoes and Products	Brasilia
Tree Nuts (Macadamia Nuts)	Brasilia

Note: Inquiries on Agricultural Machinery and inputs such as fertilizers, etc. should be directed to the U.S. Commercial Service.

1 All of the law firms mentioned on this list are large firms, by Brazilian standards, and should be able to provide legal assistance in most if not all aspects of the law.

2 For a more extensive and detailed list of law firms in Brazil, U.S. companies are encouraged to consult the South American section of the "Martindale-Hubbel" legal directory. The "Martindale-Hubbel" is available in most if not all medium to large law firms in the U.S., and in many large law firms in Brazil. This legal directory may also be found at any public library in the United States.

End of Document